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CCS – MS SINGAPORE BUDGET SEMINAR 2023





Programme Highlight

Agenda

1.30pm Opening Address
Speaker: Mr Lim Peng Huat
Senior Director & Head, Taxation Services (CCS)

1.35pm Highlights of the 2023 Budget Measures
Speaker:
Mr Lim Peng Huat
Senior Director & Head, Taxation Services (CCS)

Ms Law Pei Serh
Director, Taxation Services (CCS)

2.25pm Discussion on the Developments in BEPS 2.0 Pillar 1 & 2
Speaker: Mr Shane Chan
Senior Manger, Transfer Pricing (CCS)

2.50pm Networking break

3.20pm Adapting to Disruption
Speaker: Mr James Cheo
Managing Director, Chief Investment Officer, Southeast Asia, HSBC Global Private Banking and Wealth

3.55pm SG Outlook: The risks & opportunities in a post-pandemic world
Speaker: Mr Song Seung Wun
Director and Economist, CIMB Private Banking

4.30pm Panel Discussion
Moderator: Ms Michelle Chong
Partner, Audit and Assurance, Moore Stephens LLP

Panelists:
Mr James Cheo, Mr Song Seung Wun, Mr Lim Peng Huat &
Ms Law Pei Serh

5.00pm End of Seminar

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Opening Address



Lim Peng Huat

Senior Director & Head
Taxation Services

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Highlights of the 2023 Budget Measures



Lim Peng Huat

Senior Director & Head
Taxation Services

Complete Corporate Services (CCS)



Law Pei Serh

Director
Taxation Services

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Overview

01 Enterprise Innovation Scheme ("EIS")

02 Extension Of Tax Allowance / Incentive Schemes

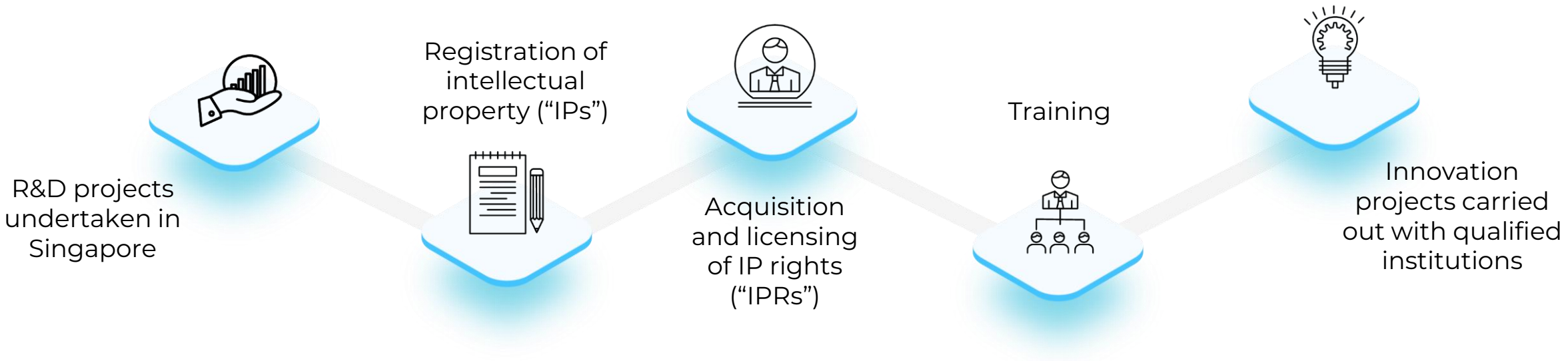
03 Extension Of Loans / Grant Schemes

04 Buyer's Stamp Duty ("BSD") Rates

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Enterprise Innovation Scheme ("EIS")

- Introduced by the Government to sustain pervasive innovation.
- For YA 2024 to YA 2028, 400% tax deduction (100% base deduction and 300% enhanced deduction) per YA for each of the 5 categories of qualifying activities as follows:



- EIS also offers a cash payout feature of 20% on up to S$100,000 of total qualifying expenditure across the 5 categories of qualifying activities.

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Enterprise Innovation Scheme ("EIS")

- At first glance, similar to the Productivity and Innovation Credit (“PIC”) scheme that was available from YA 2011 to 2018.
- Compared to the PIC scheme, the EIS is a more targeted programme in its emphasis and support.
- The enhanced tax deductions / allowances under the EIS are also more generous than the 100% to 250% deductions currently available.
- The suite of tax measures under the EIS should strengthen Singapore’s IP development and innovation efforts and help businesses to boost their competitiveness.

Enterprise Innovation Scheme ("EIS")

R & D Projects
Enhanced tax deduction for staff costs and consumables incurred on qualifying R&D projects conducted in Singapore

Current



250%

250% tax deduction (100% base deduction and 150% additional deduction) for staff costs and consumables incurred on qualifying R&D projects conducted in Singapore.

New



400%

400% tax deduction (100% base deduction and 300% additional deduction) on the first S$400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore.

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Enterprise Innovation Scheme ("EIS")

R & D Projects
Enhanced tax deduction for staff costs and consumables incurred on qualifying R&D projects conducted in Singapore

Example

Qualifying R&D project undertaken wholly in Singapore.

Expenditure	Cost	Current	New
Staff costs (excluding directors fees)	500,000	1,250,000 [500,000 x 250%]	1,850,000 [400,000 x 400%] + [100,000 x 250%]
Consumables	300,000	750,000 [300,000 x 250%]	750,000 [300,000 x 250%]
Total	800,000	2,000,000	2,600,000

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Enterprise Innovation Scheme ("EIS")

IP Registration Costs
Enhanced tax deduction for qualifying IP registration costs

Current



200%

200% tax deduction on the first S$100,000 of qualifying IP registration costs incurred on registration of patents, trademarks, designs and plant varieties.

New



400%

400% tax deduction on the first S$400,000 of qualifying IP registration costs incurred.

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Enterprise Innovation Scheme ("EIS")

IP Rights ("IPRs")
Enhanced tax deduction / allowance for acquisition and licensing of qualifying IPRs

Current



100% writing down allowance on acquisition cost of qualifying IPRs.

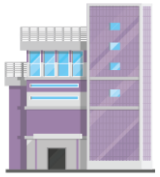


200% tax deduction on the first S$100,000 of qualifying licensing expenditure.

New



400% tax allowance / deduction on the first S$400,000 (combined cap) of qualifying expenditure incurred on the acquisition and licensing of qualifying IPRs.



Available to businesses with less than S$500 million annual revenue.



Revenue criterion will be applied at group level if the entity is part of a group.

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Enterprise Innovation Scheme ("EIS")

Training Expenditure
Enhanced tax deduction for qualifying training expenditure

Current



100% tax deduction on training expenditure as a business expense

New



400% tax deduction on the first S$400,000 of qualifying training expenditure incurred.



Training courses eligible for SkillsFuture Singapore ("SSG") funding and aligned with the Skills Framework.



Eligible courses cover many sectors including courses on:

- digital marketing
- food safety
- artificial intelligence
- blockchain for business,
- logistics and
- supply chain etc



Eligible courses available on http://www.go.gov.sg/eis-training

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Enterprise Innovation Scheme ("EIS")

Innovation Projects
Tax deduction for innovation projects carried out with partner institutions

New



400% tax deduction for up to S$50,000 of qualifying innovation expenditure incurred.



Partner institutions include polytechnics, Institute of Technical Education and other qualified partners.



Qualifying innovation are projects that predominantly involve one or more innovative activities defined within the Oslo Manual 2018*.



Include R&D and IP-related activities, software development, engineering, design and other creative activities.

* https://www.oecd.org/science/oslo-manual-2018-9789264304604-en.htm

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Enterprise Innovation Scheme ("EIS")

Cash Conversion

New



Opt for non-taxable cash payout in lieu of tax deductions / allowances.



Conversion ratio of 20% on up to S$100,000 (i.e. maximum S$20,000) of total qualifying expenditure from all 5 qualifying activities.



Businesses must have at least 3 full-time local employees with CPF contributions who are earning a gross monthly salary of at least S$1,400 and in employment for 6 months or more in the relevant YA.



Amount converted into cash will no longer qualify for tax deduction / allowances.



Option is irrevocable once exercised.

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Enterprise Innovation Scheme ("EIS")

Cash Conversion

Example - qualifying training expenditure of $300,000

Qualifying training expenditure	Enhanced tax deduction	Enhanced tax deduction/Cash payout
Revenue Less: Training	5,300,000 (300,000)	5,300,000 (300,000)
Net profit before tax	5,000,000	5,000,000
EIS deduction Cash payout opted	(900,000) -	(600,000) 100,000
Taxable profit	4,100,000	4,500,000
Tax @ 17% Cash payout	697,000 -	765,000 (20,000)
Net cash outflow	697,000	745,000

Enterprise Innovation Scheme ("EIS")

- IRAS will provide further details by 30 June 2023.
- Similar to PIC scheme, it is anticipated that an e-guide may be issued by the IRAS to provide further clarification on the EIS.

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Extension Of Tax Allowance / Incentive Schemes

Scheme	Tax benefit / incentive	Scheduled to lapse	Extended to
Investment Allowance ("IA")	• Additional 30% - 50% tax allowance • Qualifying fixed capital expenditure on approved projects, net of grants. • Pre-approval from EDB, BCA or Enterprise SG.	After 31 Dec 2023	31 Dec 2028
IA-100% Scheme for Automation Projects	• Additional 100% tax allowance • Capital expenditure on Automation projects approved by Enterprise SG, net of grants.	after 31 Mar 2023	31 Mar 2026

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Extension Of Tax Allowance / Incentive Schemes

Scheme	Tax benefit / incentive	Scheduled to lapse	Extended to
Pioneer Certificate Incentive ("PC") Development and Expansion Incentive ("DEI")	• Aimed to encourage companies to grow capabilities, conduct new or expanded economic activities, and establish their global or regional headquarters in Singapore. • PC recipients enjoy full corporate tax exemption on income from qualifying activities. • DEI recipients enjoy concessionary tax rates of 5% or 10% on qualifying income.	After 31 Dec 2023	31 Dec 2028

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Extension Of Tax Allowance / Incentive Schemes

Scheme	Tax benefit / incentive	Scheduled to lapse	Extended to
IP Development Incentive ("IDI")	• Supports companies that use and commercialise IP rights arising from R&D in Singapore. • IDI recipients enjoy concessionary tax rates of 5% or 10% on a percentage of qualifying IP income.	After 31 Dec 2023	31 Dec 2028

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Extension Of Tax Allowance / Incentive Schemes

Enterprise Financing Scheme (EFS)

The EFS will be extended for one year till 31 March 2024.



Trade Loan

To finance trade needs (inventory / stock financing, factoring, overseas working capital etc.). 70% risk share; Up to S$10 million per borrower.



Project Loan

To support domestic projects for construction enterprises. To finance secured overseas projects. (Working capital, factory, equipment, etc). 50% risk share. Up to S$50 million for overseas projects. Up to S$30 million for domestic project.



Working Capital Loan

To finance of operational cashflow needs. 50% risk share. Up to S$500,000 per borrower.



Fixed Assets Loan

To finance the investment of domestic and overseas fixed assets. 50% risk share. Up to S$30 million per borrower.



Mergers and Acquisitions Loan

To support the acquisition of local or overseas target enterprises. 50% risk share. Up to S$50 million per borrower / borrower group.



Venture Debt Loan

To support the growth of later-stage enterprises. Finance the growth of innovative enterprises using Venture Debts and Warrants. 50% risk share. Up to S$8 million per borrower.



Green

Enables better access to green financing for enterprises that are developing enabling technologies and solutions to reduce waste, resource use or greenhouse gas emissions. 70% risk share.

Extension Of Loans / Grant Schemes

Energy Efficient Grant Scheme (“EEGS”)



EEGS supports businesses within the Food Services, Food Manufacturing or Retail sectors to cope with rising energy costs through co-funding investments in more energy-efficient equipment.



The grant scheme provides 70% support for SMEs to adopt pre-approved energy-efficient equipment, capped at S$30,000 per company per year.



Details of scheme, eligibility and application procedures are available on Enterprise Singapore website.

Buyer's Stamp Duty ("BSD") Rates

Government's efforts to enhance progressivity of BSD regime

Higher marginal BSD rates for higher-value properties

Apply to residential and non-residential properties acquired on or after 15 February 2023

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Buyer's Stamp Duty ("BSD") Rates

Current

Higher of Purchase Price or Market Value of the Property	Marginal BSD Rate	
	Residential property	Non-residential property
First S$180,000	1%	1%
Next S$180,000	2%	2%
Next S$640,000	3%	3%
Amount in excess of S$1,000,000	4%	3%

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Buyer's Stamp Duty ("BSD") Rates

New

Higher of Purchase Price or Market Value of the Property	Marginal BSD Rate	
	Residential property	Non-residential property
First S$180,000	1%	1%
Next S$180,000	2%	2%
Next S$640,000	3%	3%
Next S$500,000	4%	4%
Next S$1,500,000	5%	5%
Amount in excess of S$3,000,000	6%	5%

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Buyer's Stamp Duty ("BSD") Rates

Calculation of BSD for a residential property valued at S$2 million

Residential Property valued at S$2 million	Marginal BSD Rate	
	Current	New
First S$180,000	1,800	1,800
Next S$180,000	3,600	3,600
Next S$640,000	19,200	19,200
Next S$500,000	20,000	20,000
Next S$1,500,000	20,000	25,000
Amount in excess of S$3,000,000	-	-
Total	64,600	69,600

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Buyer's Stamp Duty ("BSD") Rates

Calculation of BSD for a residential property valued at S$5 million

Residential Property valued at S$5 million	Marginal BSD Rate	
	Current	New
First S$180,000	1,800	1,800
Next S$180,000	3,600	3,600
Next S$640,000	19,200	19,200
Next S$500,000	20,000	20,000
Next S$1,500,000	60,000	75,000
Amount in excess of S$3,000,000	80,000	120,000
Total	184,600	239,600

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Buyer's Stamp Duty ("BSD") Rates

Transitional provisions

BSD rates on or before 14 February 2023 will be applicable to cases that satisfy ALL the qualifying conditions:

(A)

The Option to Purchase ("OTP") was granted by sellers to potential buyers on or before 14 February 2023.

(B)

The OTP is exercised on or before 7 March 2023, or within the OTP validity period, whichever is earlier.

(C)

The OTP has not been varied on or after 15 February 2023.

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Overview

01 Enhanced Double Tax Deduction For Internationalisation (DTDi) Scheme

02 Option To Accelerate Write-off Of Plant And Machinery ("P&M") Cost

03 Option To Accelerate Deduction On Renovation And Refurbishment ("R&R") Expenses

04 Extension Of The 250% Tax Deduction For Qualifying Donations

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Corporate Tax Changes

- No change to headline corporate tax rate – 17%

- No change to partial tax exemption for first S$200,000 of chargeable income

  75% exemption up to the first S$10,000

  50% exemption up to the next S$190,000

Chargeable income	% Tax exempt	Amount Tax exempt
First S$10,000	@75%	= S$7,500
Next S$190,000	@50%	= S$95,000
Total S$200,000		= S$102,500

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Enhanced Double Tax Deduction For Internationalisation (DTDi) Scheme

Current

- Double tax deduction (i.e. 200%) on actual qualifying expenses incurred

- Automatic DTD - up to S$150,000 of qualifying expenditure for 9 activities:-

1. Overseas business development trips / missions
2. Overseas investment study trips / missions
3. Overseas trade fairs
4. Local trade fairs approved by Enterprise Singapore or Singapore Tourism Board ("STB")
5. Virtual trade fairs approved by Enterprise Singapore
6. Product/Service Certification
7. Overseas advertising and promotional campaign
8. Design of packaging for overseas markets
9. Advertising in approved local trade publications

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Enhanced Double Tax Deduction For Internationalisation (DTDi) Scheme

Pre-approval from Enterprise Singapore or STB is required for:-

- Qualifying expenditure > S$150,000 for the 9 activities in the previous slide.
- All qualifying expenditure for the 7 activities below.

10 Market survey / Feasibility study

11 Investment Feasibility / Due Diligence Studies

12 Master Licensing and Franchising

13 Overseas Trade Office

14 Production of Corporate Brochures for Overseas Distribution

15 Employees Overseas Posting

16 Overseas Development Business

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Enhanced Double Tax Deduction For Internationalisation (DTDi) Scheme

New

- Budget 2023 - New qualifying activity "e-commerce campaign"
- The following e-commerce campaign startup expenses paid to e-commerce platform / service providers will be covered as “Qualifying expenditure”:-

Onboarding costs



Business advisory: Advisory on market promotion and execution plans (e.g. choice of suitable e-commerce platforms);



Content creation: Design of e-commerce campaign publicity materials (e.g. e-store banners, on line product images);

Channel Management costs



Account creation: Assistance with setting up accounts on e-commerce platforms, and the right to sell on e-commerce platforms;



Product listing and placement: Uploading content on products / services to e-commerce platforms, and selection of suitable frequency and timing to display content on products / services.

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Enhanced Double Tax Deduction For Internationalisation (DTDi) Scheme

Note:-

- Prior approval must be obtained from Enterprise SG to enjoy DTD on e-commerce start-up expenses.
- Covers expenditure incurred for up to 1-year period, applied on a per country basis.
- Expenses must be incurred on or after 15 February 2023.

Sunset clause for DTDi scheme

- The DTDi scheme is scheduled to lapse after 31 December 2025.

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Enhanced Double Tax Deduction For Internationalisation (DTDi) Scheme

Example - Tax savings from DTDi support

	No DTDi Support	With DTDi Support
	S$	S$
Revenue	1,000,000	1,000,000
DTDi eligible expense	(10,000)	(20,000)
Other expenses	(500,000)	(500,000)
Taxable income	490,000	480,000
Tax payable @ 17% (after partial exemption)	65,875.00	64,175.00
Savings from DTDi	NA	1,700

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2 Tax Schemes Re-introduced

New

Re-introduced for YA 2024 i.e. FY ending in 2023

1) Option to accelerate write-off of plant and machinery ("P&M") cost.

2) Option to accelerate deduction on Renovation and refurbishment ("R&R") expenses.



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Option To Accelerate Write-off Of Plant And Machinery ("P&M") Cost

Current



Carry on a trade, profession or business



Qualifying Plant and machinery ("P&M")

Capital allowances ("CA") claim

"Category A" ➔ Automation Equipment – 100% write-off in 1 year – S19A(2)

"Category B" ➔ For other P&M, CA can be claimed over either:-

- Tax useful life per 6th Schedule of the Singapore Income Tax Act ("SITA") – S19; or
- 3-year period, on a straight-line basis – S19A(1).

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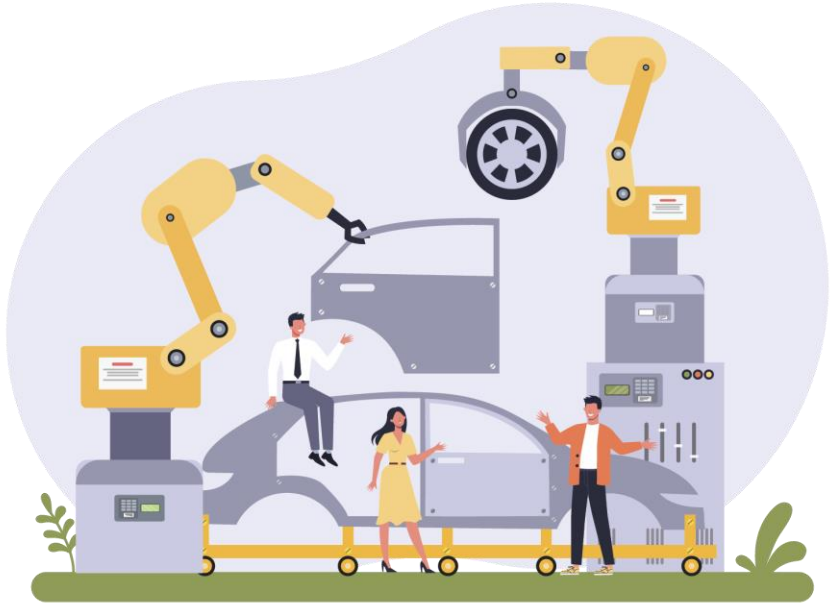
Option To Accelerate Write-off Of Plant And Machinery ("P&M") Cost

New

Budget 2023 – additional option (YA 2024 only)

- For "Category B" P&M acquired in YA 2024 only i.e. FY ending in 2023
- An additional option to claim CA on the cost of P&M over 2 years.
- The rates of the accelerated CA allowed are :

  75% of the cost incurred in the first year (i.e. YA 2024); and
  25% of the cost incurred in the second year (i.e. YA 2025).



Note:-

- Irrevocable option, once exercised in YA 2024 tax return.
- No deferment allowed i.e. must claim CA in YA 2024 and YA 2025.

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Option To Accelerate Write-off Of Plant And Machinery ("P&M") Cost

- Overall, the additional option to accelerate CA provides cashflow benefit.
- But given the restriction for deferment and the additional administrative work required to track the CA rate for each P&M item.....
- Propose to consider the option if:-
  - Cost of P&M acquired in YA 2024 is substantial for companies with a high tax paying position; and
  - There is a robust tracking system to monitor the different categories of P&M and the respective rate of CA claims, for purpose of balancing adjustments in the year of disposal.



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Option To Accelerate Write-off Of Plant And Machinery ("P&M") Cost

Example - Tax reduction in first YA 2024

	<----------YA 2024---------->			
	Company A		Company B	
	3-year CA	Accelerated 2-year CA	3-year CA	Accelerated 2-year CA
	S$	S$	S$	S$
Revenue	1,000,000	1,000,000	500,000	500,000
P&M of S$120,000 purchased in YA 2024 - CA	(40,000)	(90,000)	(40,000)	(90,000)
Other expenses	(500,000)	(500,000)	(250,000)	(250,000)
Taxable income	460,000	410,000	210,000	160,000
Tax payable @ 17% (after partial exemption)	60,775.00	52,275.00	18,275.00	13,175.00
	ETR 13.21 %		ETR 8.70 %	
Tax reduction in first YA 2024	NA	8,500	NA	5,100

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Option To Accelerate Deduction On Renovation And Refurbishment ("R&R“) Expenses

Current



Carry on a trade, profession or business.



Qualifying Renovation and Refurbishment works (“R&R”) done on business premises.



Section 14N Tax deduction claimed over 3-year period, on a straight-line basis.



Capped at S$300,000 per 3-YA period. Cannot be deferred.



If trade / business ceases permanently, or no income derived, Sl4N deduction ceases in that YA. During the basis period for that YA.

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Option To Accelerate Deduction On Renovation And Refurbishment ("R&R“) Expenses

New

Budget 2023 – additional option (YA 2024 only)

- For qualifying R&R expenses incurred in YA 2024 only i.e. FY ending in 2023.
- An option to claim accelerated Section 14N “R&R” deduction in one YA i.e. claim 100% of cost in YA 2024.
- Cap of S$300,000 per 3-YA period remains.
- Once exercised in YA 2024 tax return, option is irrevocable.



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Extension Of The 250% Tax Deduction For Qualifying Donations

Current

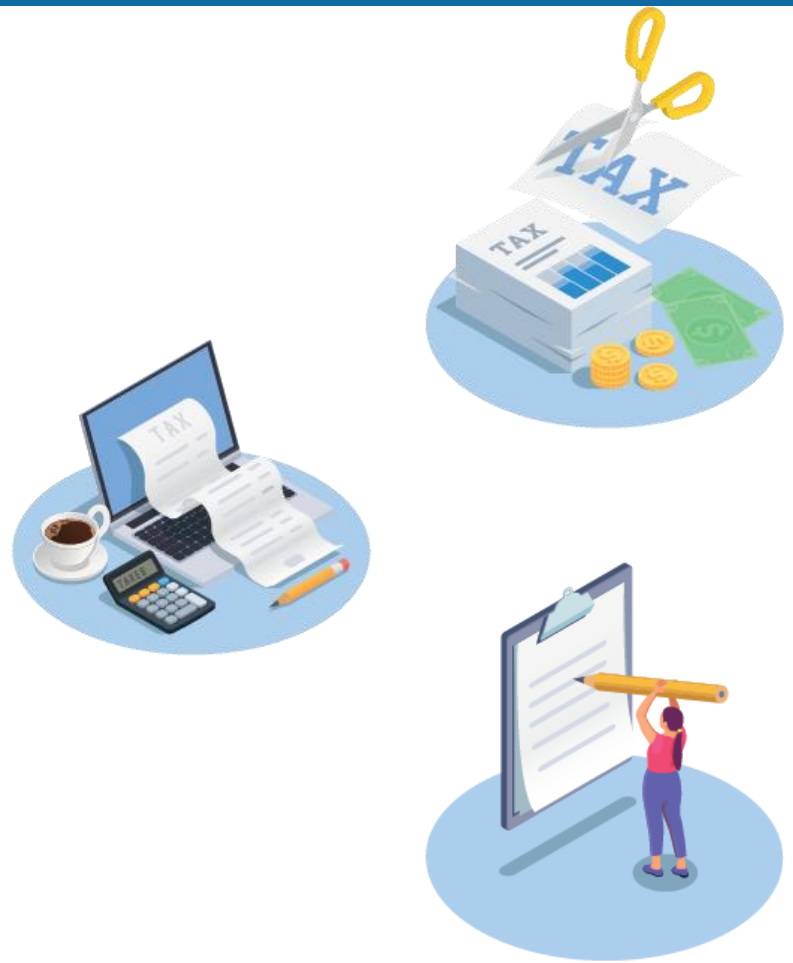
- Donors can enjoy 250% tax deduction on qualifying donations made to Institution of a Public Character ("IPC"} and other qualifying recipients between 1 January 2016 to 31 December 2023.

Budget 2023 – Extension until 31 December 2026

- 250% tax deduction extended for another 3 years.

Note:-

- Unutilised qualifying donations can only be carried forward for 5 years.
- Also subject to substantial shareholders test.



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Extension Of The 250% Tax Deduction For Qualifying Donations

Qualifying donations

Type of donation	Recipients
Donation of money (cash donation)	• the Government; or • any institution of a public character (IPC).
Computers and peripherals	• IPC • a prescribed educational, research or other institution in Singapore.
Artefact or work of art	approved museum
Sculpture or work of art for public display	an approved recipient
Immovable property	IPC

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Discussion on the Developments in BEPS 2.0 Pillar 1 & 2



Shane Chan

Senior Manager
Transfer Pricing

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Overview

01 OECD BEPS 2.0 Development

02 Overview of BEPS 2.0 – Pillar 1 & 2

03 Impact of BEPS 2.0 on Singapore

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OECD BEPS 2.0

Introduction

- Progress on Organization for Economic Cooperation and Development (“OECD”)’s Base Erosion and Profit Shifting (“BEPS”) 2.0 has been gathering pace in recent years.
- The OECD/G20 Inclusive Framework on BEPS (“IF”) have just recently completed their consultation on all the components for Pillar 1 in January 2023.
- Under Pillar 2, the IF have recently released an implementation package relating to Pillar Two Global Anti-Base Erosion (GloBE) Rules.
- In budget 2022, Singapore announced that it was studying the OECD’s BEPS 2.0 – Pillar 2 initiatives.
- Fast forward a year later in budget 2023, Singapore has now announced intentions to implement the METR of 15% from 2025 to align with global corporate tax rates for large MNC’s





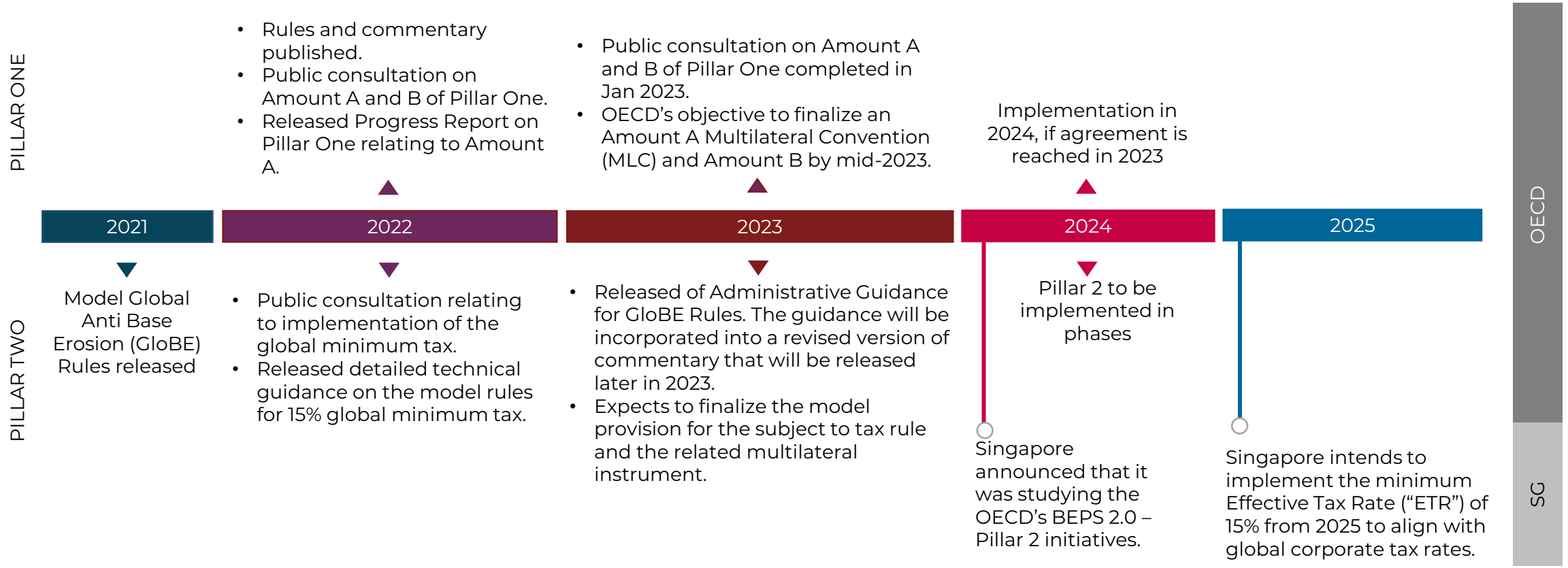


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OECD BEPS 2.0

Development Timeline (OECD and Singapore)



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OECD BEPS 2.0

Purpose of OECD's BEPS 1.0 Initiative

- Since 2013, there have been concerted efforts to strengthen international cooperation in taxation matters, to stamp out harmful practices and combat tax avoidance by multinational enterprises or MNEs.
- The G20 had tasked the OECD to study and deal with the issue of BEPS by MNEs. This resulted in the OECD developing 15 actions under the BEPS Project, to equip governments with domestic and international rules and instruments to address tax avoidance.
- To ensure a consistent and coordinated implementation of the BEPS recommendations and to make the project more inclusive, OECD/G20 subsequently broadened its BEPS discussion to include more than 140 jurisdictions through a platform called the IF on BEPS.





TAXES



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OECD BEPS 2.0

Purpose Of OECD's BEPS 2.0 Initiative

- BEPS 1.0 initiatives have led to BEPS 2.0, which focuses on overcoming challenges faced by the digitalization of economies.
- Existing tax laws, along with the nexus and profits attribution rules, were built around traditional business forms and rely on their physical presence in a country.
- However, business models have evolved as a result of digitalisation and globalisation. Thus, it is imperative that the current international tax laws be reformed to address how the digital economy is taxed.
- On 1 July 2021, in an historic agreement, 130 countries [members of the OECD/G20 IF] approved a statement providing a framework for reform of the international tax rules.
- The statement sets forth the key terms for an agreement of a two-pillar approach.



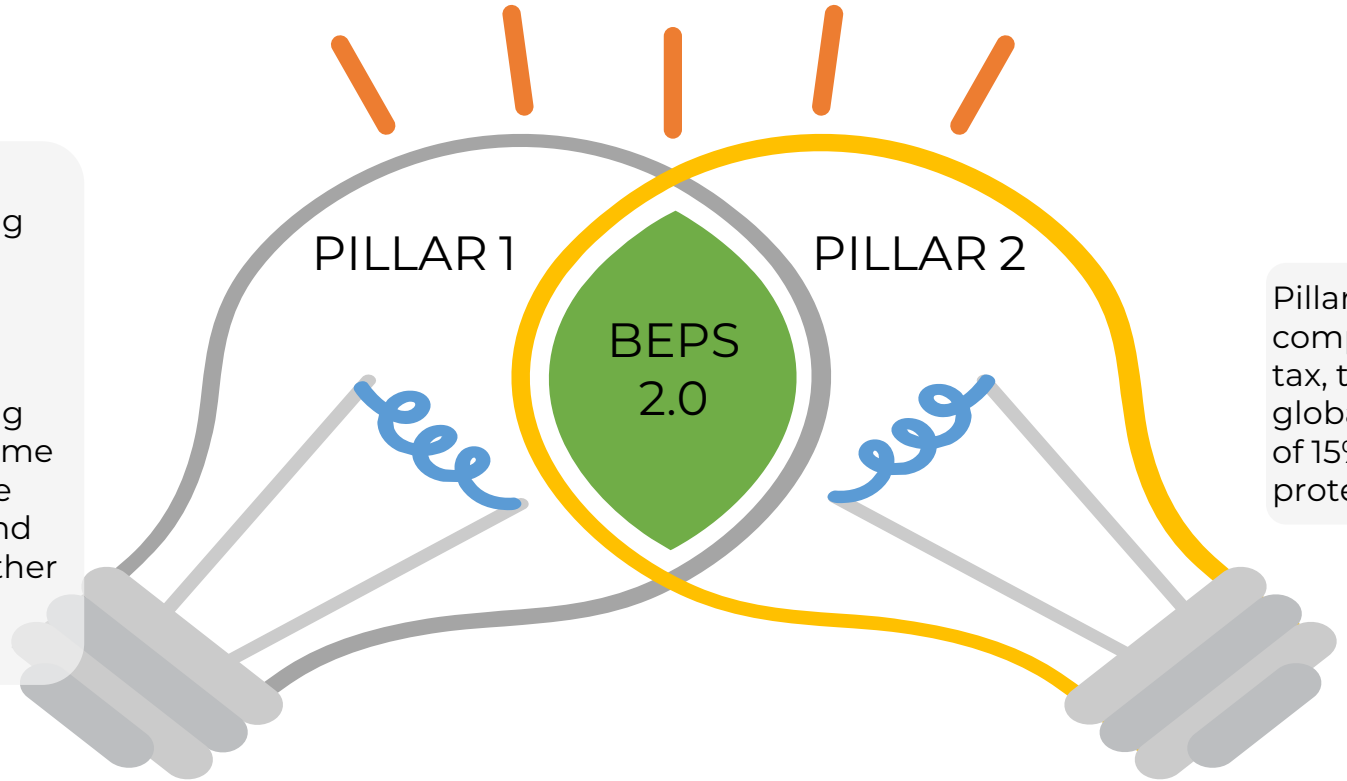
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BEPS 2.0 – Pillar 1 & 2

Objective Of Pillar 1 And 2

Pillar 1 will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, including digital companies.

It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there.



Pillar 2 seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate of 15% that countries can use to protect their tax bases.

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Pillar 1

- The key elements of Pillar 1 can be grouped into three components:

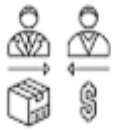
AMOUNT A

New taxing right over a portion of the residual profits allocated to market countries using a formulaic approach to all in scope businesses



AMOUNT B

Standardise remuneration of related party distributors that perform "baseline marketing and distribution activities" based on arms' length principle



TAX CERTAINTY

Innovative dispute prevention and dispute resolution mechanisms for and beyond Amount A



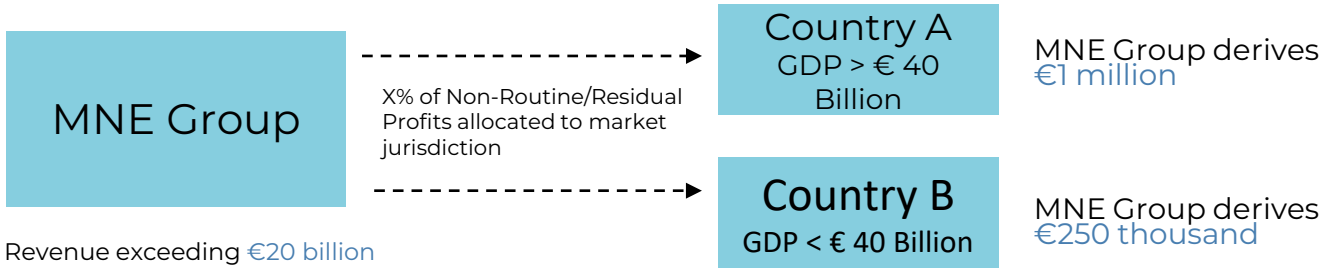
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Pillar 1

AMOUNT A

New taxing right over a portion of the residual profits allocated to market countries using a formulaic approach to all in scope businesses

- Scope: MNE groups with gross revenue in exceeding €20 billion and have profitability exceeding 10% (Article 1(2)). Revenues and profits related to Extractives and Regulated Financial Services will be excluded.
- Nexus & revenue sourcing: Covered Group derives more than € 1 million in Revenues from that jurisdiction or, alternatively, € 250 thousand if that jurisdiction's GDP is lower than € 40 Billion.
- Quantum: 25% of residual profit defined as profit in excess of 10% of revenue will be allocated to market jurisdictions with nexus, using a allocation key.



- Revenue exceeding €20 billion
- Profitability exceeding 10%

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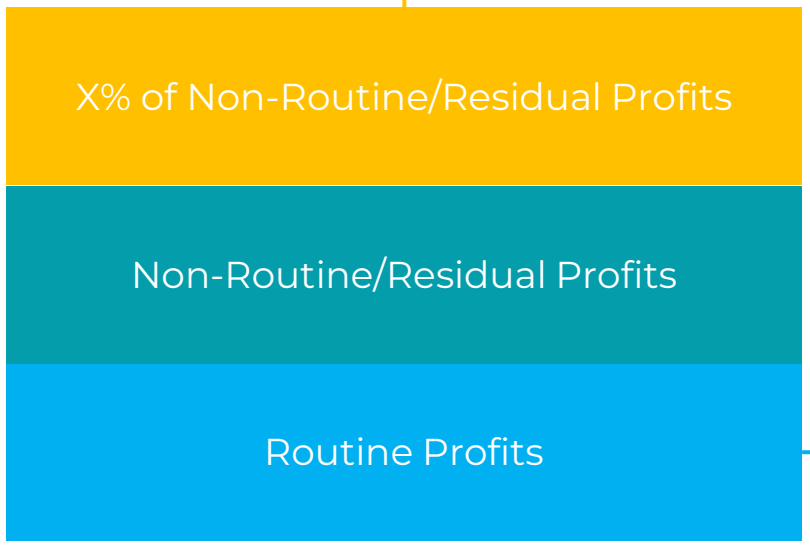
Pillar 1

AMOUNT A

New taxing right over a portion of the residual profits allocated to market countries using a formulaic approach to all in scope businesses







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Pillar 1

AMOUNT B

Standardise remuneration of related party distributors that perform “baseline marketing and distribution activities” based on arms’ length principle



Amount B: Alignment of “baseline marketing and distribution activities” with the Arm’s Length Price. This component recently completed its under public consultation.

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Pillar 1

TAX CERTAINTY

Innovative dispute prevention and dispute resolution mechanisms for and beyond Amount A



- Tax certainty: Tax Certainty Framework aims to provide certainty for in-scope business groups on various aspects of Amount A, including the elimination of double taxation resulting from uncoordinated compliance activities in different jurisdictions from which the group revenue is derived.
- Framework contains the following three elements to address different potential risks that may arise from the Amount A rules:

Scope Certainty Review

Advance Certainty Review

Comprehensive Certainty Review

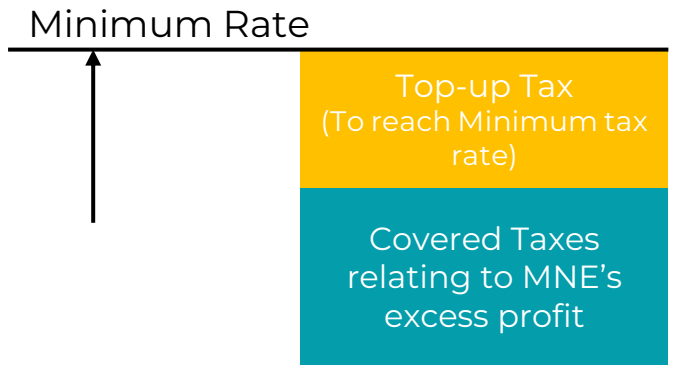
- Sets out a mandatory and binding dispute resolution mechanisms.

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Pillar 2

Global Anti-Base Erosion Rules ("GLOBE") RULES

- Scope: Applicable to the MNE groups with total consolidated group revenue of €750 million or above in at least 2 of the 4 previous years.
- The GloBE rules will provide for an exclusion for international shipping income.
- MNE Group must have ETR of at least 15% in each jurisdiction. Low-taxed entities will have to pay top-up taxes.



Exclusions:

- Government entities
- International organisations
- Non-profit organisations
- Pension funds
- Investment Fund that is an UPE
- a Real Estate Investment Vehicle that is an UPE

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Pillar 2

Pillar 2 Rule Design

2

GloBE Income: Income inclusion rule (IIR)

- Primary rule: A top-up tax is imposed at the level of the UPE
- Minimum ETR: 15%

IIR

3

GloBE Income: Undertaxed payments rule (UTPR)

- Backstop to IIR – applies if no IIR imposed
- Top-up Tax is allocated to countries based on assets / employees
- Minimum ETR: 15%

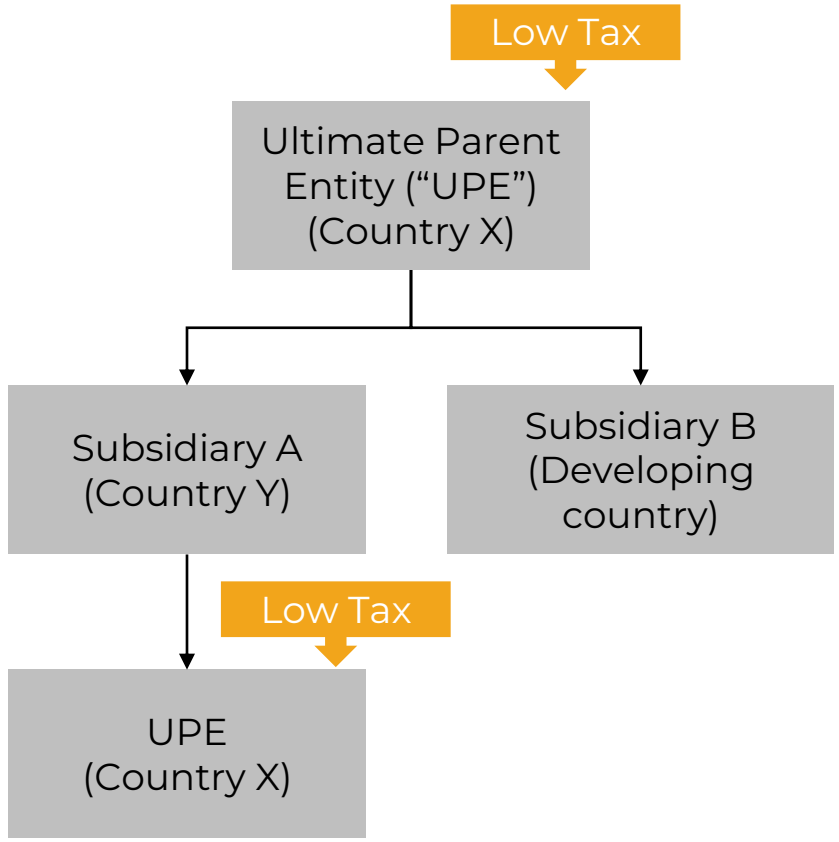
UTPR

1

GloBE Income: Qualified Domestic Minimum Top-up Tax

- Applies before IIR and UTPR
- Top-up Tax is assessed by the low-tax jurisfiction itself
- Minimum ETR: 15%

QDMTT



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Pillar 2

Transitional Safe Harbour

De Minimus Test

- Revenue < € 10 million; and
- Profit before tax < € 1 million

ETR test

Simplified ETR is at least:

- 15% (2024)
- 16% (2025)
- 17% (2026)

.

Routine profit test

Profit before tax does not exceed the Substance-based Income Exclusion Amount



- Intent: Reduce GloBE compliance costs for MNE Groups during Transaction Period.
- Transition Period: FY starting on / before 31 December 2026 to FY ending 30 June 2028 – 3 years for most groups
- Mechanics: Jurisdiction that meet any of the 3 Safe Harbours are deemed to have no top-up taxes
- "Once out, always out": If safe harbour not applied for a country in a FY, that country cannot use safe harbour in the future.

Pillar 2

Permanent Safe Harbour

Routine Profits Test:
GloBE Income under the simplified income calculation does not exceed the Substance-based Income Exclusion amount for that jurisdiction.

ETR Test:
The ETR of the jurisdiction under the simplified income and tax calculation, is at least 15% as determined in accordance with Article 5.1.1 of the GloBE Rules.

De Minimis Test:
- Average GloBE Revenue of such jurisdiction under the simplified income calculation is less than € 10 million; and
- Average GloBE Income of that jurisdiction is less then € 1 million or has a loss.

Simplified Calculations

- Alternative to calculations required under the GloBE Rules (e.g. GloBE Income / Loss, GloBE Revenue and Adjusted Covered Taxes)
- To reduce compliance burden of performing complicated calculations
- To be developed via future Agreed Administrative Guidance (further to the one published 1 February 2023)

Impact of BEPS 2.0 on Singapore

- Pillar 1 will result in a loss of revenue for Singapore – Given that Singapore will have to give up some taxing rights over profits from economic activities conducted here, but will receive very little in return due to Singapore's small domestic market.
- Pillar 2 may result in higher tax revenue – If Singapore can retain all the economic activities that are currently conducted here (and the accompanying profits).
- International negotiations on key implementation rules are still ongoing and there are date points not collected under our corporate tax system, so it is still difficult to accurately estimate the revenue impact of BEPS 2.0
- The eventual impact of BEPS 2.0 (including the "top up tax", when implemented) on Singapore's tax revenue depends on how other Governments and companies respond to the changes in international tax rules.





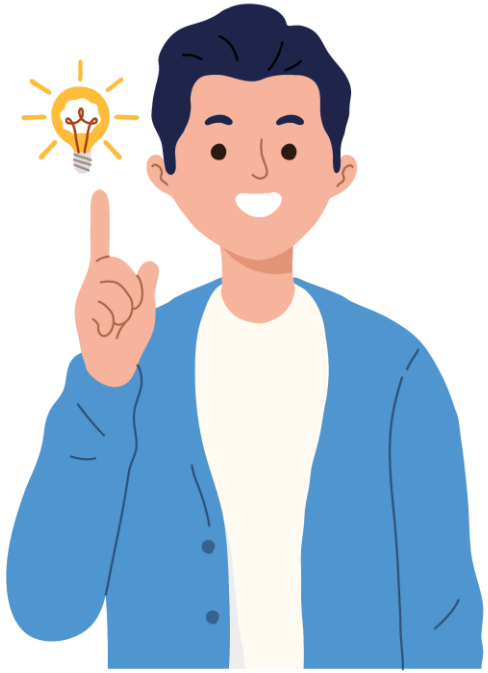


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Final Thoughts

- BEPS 2.0 Pillar 1 and 2 proposals are complex and may result in counterintuitive outcomes, especially when moving towards consensus continues.
- Many questions still surround MNE groups with regards to the implementation of BEPS 2.0 e.g.
  - Information needed to be collated and how to obtain this information.
  - How do existing APAs, tax rulings and tax incentives be affected.
  - How will BEPS 2.0 impact stakeholders within MNE groups.
- CCS together with our global network can help you identify potential impact and responses, develop plans, and assist your organization's current and future actions.



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Break

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Panel Discussion



Song Seung Wun

Director and Economist
CIMB Private Banking



James Cheo

Managing Director
Chief Investment Officer,
Southeast Asia, HSBC
Global banking and wealth

Moderator



Michelle Chong

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Thank You!

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