CCS
Complete Corporate Services

Budget Commentary 2024



SINGAPORE BUDGET 2024

Budget Commentary

Deputy Prime Minister and Minister for Finance, Mr Lawrence Wong delivered his Budget 2024 speech in Parliament on 16 February 2024.

Given the geopolitical tensions leading to rising costs for households and businesses, this Budget addresses Singaporeans' concerns with costs of living and provide support for businesses in view of the uncertainties in the global economic outlook. The Budget measures aim to pursue economic growth and create job opportunities through continuous skills upgrading, tackle inequality and uphold social mobility and also provide more assistance for families, seniors and businesses.

Together, we will fortify our resilience to move forward with confidence and build our shared future for a stronger and more united Singapore.

Highlights of the key tax changes for businesses and individuals are set out below.



Base Erosion and Profit Shifting ("BEPS") 2.0 Changes

In brief, the implementation of BEPS 2.0 consists of two pillars:

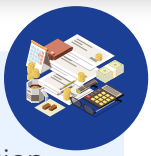


Pillar 1 seeks to re-allocate some taxing rights over Multinational Enterprises ("MNEs") from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there. The Organisation of Economic Development ("OECD") has postponed the finalisation of Pillar One, resulting in uncertainty regarding the implementation date for Singapore.



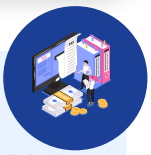
Singapore will be moving ahead with two components of Pillar 2 (illustrated below) which introduces a minimum Effective Tax Rate ("ETR") of 15% for affected MNE groups via the Global Anti-Base Erosion ("GloBE") Rules from financial years starting on or after 1 January 2025.

Applicable to the MNE groups with total consolidated group revenue of €750 million or above in at least 2 of the 4 previous years.



Domestic Top-up Tax ("DTT")

- Applies before the Income Inclusion Rule
- Applies to the profits of MNE group's Singapore-based entities



Income Inclusion Rule ("IIR")

- Imposed at the level of the Singapore ultimate parent entity
- Applies to MNE group's overseas profit regardless of where they operate

The two components will allow Singapore to collect a top-up tax when the ETR falls below 15%. Another component of Pillar 2, i.e. the Undertaxed Profits Rule ("UTPR"), will be considered at a later stage. The UTPR acts as a backstop, allowing Singapore to claim a share of the top-up tax collected by other tax authorities from any MNE with operations here, if any portion of its overseas income has not been subjected to the minimum ETR (i.e. if no DTT or IIR was imposed) in that foreign jurisdiction.

Commentary

Singapore moves forward with the implementation of Pillar 2, alongside other jurisdictions, ensuring that top-up taxes are collected locally with the introduction of DTT and IIR.

It is anticipated that MNE groups will restrategise and reorganise their value chains to navigate the post-BEPS world. In this process, it will be crucial for MNEs to consider transfer pricing implications to manage the risks of tax disputes.

Refundable Investment Credit ("RIC")

The RIC has been introduced to enhance Singapore's attractiveness for investments, while keeping in line with the GloBE Rules. The RIC will support investments in the following high-value and substantive economic activities in key economic sectors and new growth areas:

New productive capacity (e.g., new manufacturing plant, production of low-carbon energy)	Expanding or establishing the scope of activities in digital services, professional services, and supply chain management	Expanding or establishing headquarter activities, or Centres of Excellence	Setting up or expansion of activities by commodity trading firms	Carrying out R&D and innovation activities	Implementing solutions with decarbonisation objectives

How it works

Qualifying project	On an approval basis, through EDB and EnterpriseSG
Qualifying expenditure	Depending on project type, qualifying expenditure categories may include: i. Capital expenditure ii. Manpower costs; iii. Training costs; iv. Professional fees; v. Intangible asset costs; vi. Fees for work outsourced in Singapore; vii. Materials and consumables; and viii. Freight and logistics costs.
Qualifying period	Up to 10 years
Details	• Up to 50% of support on each qualifying expenditure category • Credits are to be offset against Corporate Income Tax payable • Unused credits will be refunded to the company in cash within four years of meeting the eligibility criteria • RIC amounts will be contingent on predetermined support rates for various qualifying expenditure categories, which will be proportional to the economic or decarbonisation impact of each project

More information will be available on the EDB and EnterpriseSG websites by September 2024.

Commentary

The RIC scheme is consistent with the "Qualified Refundable Tax Credits" outlined in the Pillar 2 rules. On this front, we have noticed a rising trend where jurisdictions are adapting their tax framework to include similar measures aligning with the conditions under Pillar 2. Issuing these credits (versus normal tax credits) could potentially reduce the likelihood of top-up tax liability under the GloBE rules. In this light, the introduction of RIC is a welcome investment promotion strategy, especially in a post-BEPS world. RIC aims to catalyse high-value and substantive economic activities over a long horizon which could encourage MNE groups to anchor their business in Singapore.

Introduction of an additional tier of tax rate for specified incentives

Current



Singapore offers a range of incentives which provide a reduced tax rate instead of the prevailing corporate tax rate of 17%. Such incentives are awarded by specific economic agencies upon application and subject to approval based on meeting certain quantitative and qualitative criteria.

New Treatment



As part of the periodic review to ensure that the tax incentives remain relevant and competitive, an additional tier of tax rate is being introduced for specific incentives with effect from 17 February 2024. The details are summarised in the table below.

Incentive	Existing incentive tax rate	Additional tier tax rate
Finance and Treasury Centre ("FTC")	8%	10%
Aircraft Leasing Scheme ("ALS")	8%	10%
Development and Expansion Incentive ("DEI")	5% or 10%	15%
Intellectual Property Development Incentive("DEI")	5% or 10%	15%
Global Trader Programme ("GTP")	5% or 10%	15%

Economic Development Board ("EDB") and Enterprise SG will provide further details by Q2 2024.

Commentary

While the details are awaited, it is likely that the commitments required to avail the higher tax rates being introduced should be differentiated and lower than those prescribed for the lower tier of tax rate. The proposed change provides flexibility for businesses to consider availing a higher tier tax rate while still being lower than the prevailing corporate tax rate of 17% where they are unable to meet the commitments required under the existing incentive rate.

Further, the higher tax rates should help global MNEs which are in scope for BEPS Pillar 2 rules to be closer to the minimum effective tax rate of 15% and minimise the burden for additional taxes to be paid in the parent jurisdictions. Specifically, for the FTC and ALS incentives, the new tier tax rate of 10% should help in minimising the compliance requirements for the incentivised companies as the Subject to Tax Rules under BEPS Pillar 2 requires the income to be subject to a tax rate of at least 9% in the recipient jurisdiction.

Corporate Income Tax ("CIT") Rebate for Year of Assessment ("YA") 2024, with a CIT Rebate Cash Grant

A 50% CIT rebate, capped at S$40,000 will be granted for YA 2024.

Companies that met the local employee* condition will automatically receive a CIT rebate cash grant of S$2,000 in a form of cash payout by 30 September 2024. The CIT rebate cash grant is not taxable.

** A Company is considered to have met the local employee condition if it has made CPF contribution to at least one local employee i.e. Singapore Citizen or Permanent Resident), excluding shareholders who are also directors of the Company in the calendar year 2023.*

The CIT rebate, less any CIT rebate cash grant, will be automatically included in the companies' tax assessment after they file their income tax return (Form C/ C-S) with the IRAS for YA 2024.

Commentary

The Government continues to provide support to help businesses to manage their rising operating costs by granting a CIT rebate, with a CIT rebate cash grant to ensure all business including those businesses that are non-profitable and have employed at least one local employee could benefit from the minimum monetary support of S$2,000.



Enhancements to the Enterprise Financing Scheme ("EFS")

There will be three enhancements to the EFS under the Enterprise Support Package.

SME Working Capital Loan

To help the SME to increase their working capital and operational cashflow, the SME working Capital loan will be permanently enhanced from S$300,000 to S$500,000.

Project Loan

To support domestic construction firms, the project loan will be extended till 31 March 2023, with a maximum loan quantum of S$15 million.

Trade Loan

To support businesses' internationalisation efforts, the maximum loan quantum of S$10 million will be extended till 31 March 2025.



Enhancement of tax deduction on Renovation and Refurbishment ("R&R") Expenditure

Current

- Tax deduction is granted under Section 14N of the Singapore Income Tax Act ("SITA") for qualifying expenditure incurred by taxpayers carrying on a trade, profession or business for R&R works done on their business premises.
- The deduction, capped at S$300,000, is given over each period of three consecutive years on a straight-line basis, starting from the YA in which those expenses were first incurred. The claim for Section 14N deduction cannot be deferred.
- For qualifying R&R expenses incurred in YA 2024, taxpayers will be granted an option to claim accelerated Section 14N deduction in one YA. Once this option is exercised, it is irrevocable.

New Treatment

With effect from YA 2025, the following enhancements and refinements have been introduced:

- The scope of the qualifying expenditure has been expanded to include designer and professional fees;
- The relevant three-year period is fixed, with the first three-year period being from YA 2025 to YA 2027; and
- An option to claim R&R deduction in one YA, subject to the prevailing expenditure cap of S$300,000 for the revelent three-year period.

The IRAS will provide further details by September 2024.

Commentary

The enhancement and refinements of the R&R deductions are to ease the businesses' compliance burden and to improve the relevance of the scheme.



Extension and enhancement of tax incentives for Qualifying Funds

Current

Qualifying funds which are managed by Singapore-based fund managers can apply for tax incentives made available under Sections 13D, 13O and 13U of SITA with key features as below.

- Tax exemption on specified income derived from designated investments
- Withholding tax exemption on interest and other qualifying payments made to non-residents
- GST remission
- Approval for the incentives is scheduled to lapse for application made after 31 December 2024

New Measures Announced

- The incentive schemes for all three Sections will be extended for another five years to 31 December 2029.
- With effect from 1 January 2025, the incentive under Section 13O will be enhanced to include Limited Partnerships which are registered in Singapore.
- The economic qualifying criteria for all three Sections will be revised.

Further details will be provided by the Monetary Authority of Singapore by September of 2024.

Commentary

The extension and changes announced are indeed a welcome move as it is Singapore's objective to continue growing the wealth and asset management industry.



Tonnage Tax

Current

Presently, Singapore provides tax exemption for qualifying income derived by shipping entities under the following Maritime Sector Incentive (“MSI”) schemes:-



MSI-Shipping Enterprise (Singapore Registry of Ships) (“MSI-SRS”)



MSI-Approved International Shipping Enterprise (“MSI-AIS”)



MSI-Maritime Leasing (Ship) (“MSI-ML(Ship)”)

New Measures Announced



An alternative basis of taxing the qualifying income of qualifying shipping entities which are under one of the three MSI schemes. This alternative basis of tax is by reference to the net tonnage of the ships of the shipping entities and will be available from the Year of Assessment 2024 (i.e. basis year 2023).



In the case of the MSI entities which do not want to come under this alternative net tonnage basis of taxation, the existing tax treatment under the relevant MSI schemes will continue to apply.



Further details will be provided by the Maritime and Port Authority of Singapore ("MPA") by September 2024.

Commentary

This is indeed good news for the MSI shipping entities as they now have an available alternative to consider. The shipping entity can conduct a cost-benefit study before adopting this alternative basis.

We look forward to await for more clarifications and confirmation from MPA on whether an MSI entity owning/operating more than one ship can apply for the alternative basis on only qualifying ships whilst the remaining ships continue under the MSI sub-scheme tax treatment. In the case of MSI Group of entities, whether MPA can allow only some members of the group to adopt the alternative basis also awaits to be seen.

Personal Income Tax (“PIT”) Rebate for YA 2024

Current

There is no Personal Income Tax (“PIT”) Rebate.

New Treatment

A PIT Rebate of 50% of tax payable, capped at S$200 per taxpayer, will be granted to all tax resident individuals for YA 2024.

Commentary

Given the concerns on the rising cost of living as well as GST hikes, the government has announced the PIT rebate which is aimed at benefiting the middle-income taxpayers who may not be eligible for other schemes/benefits rolled out. The PIT rebate, together with the Assurance Package support, will go some way in easing the cashflows for this group of Singapore residents.



Remove CPF Cash Top-Up Relief for cash top-ups that attract matching grant from the Government under the Matched Retirement Savings Scheme ("MRSS")

Current

Where a resident taxpayer makes cash top-ups to the Retirement Account of a MRSS-eligible CPF member that attracts the MRSS matching grant, the taxpayer may also claim the CPF Cash Top-Up Relief.

The maximum amount of CPF Cash Top-Up Relief is S$8,000 per year for cash top-ups to the giver's own Special Account, Retirement Account or MediSave Account, and another S$8,000 per year for cash top-ups to such accounts of the giver's loved ones.

New Treatment

With effect from YA 2026, cash top-ups made on or after 1 January 2025 to the Retirement Account of a MRSS-eligible CPF member that attract the MRSS matching grant will no longer entitle the giver to the CPF Cash Top-Up Relief.

For other eligible CPF cash top-ups that do not attract the MRSS matching grant, the taxpayer may continue to claim CPF Cash Top-Up Relief of up to S$16,000 a year, as set out under the current scheme above.

Commentary

The above adjustment to the CPF Cash Top-Up Relief is in line with the government's policy of not double-incentivising the same transaction i.e. in the above case, both a grant and a tax relief.



Property Tax

New Measure Announced

For owner-occupied residential properties, the annual value bands are to be revised with effect from 1 January 2025.

The revision made is attributable to the sharp increases in annual values of this category of property. As a form of wealth tax, there is no change in the conceptual approach made two years ago.

As an illustration, a table of the changes to the annual value bands is set out below.

Marginal property tax rate	Portion of Annual Value	
	From 1 Jan 2024 to 31 Dec 2024	From 1 Jan 2025 (ie from 2025 property tax bills)
0%	S$0 - S$8,000	S$0 - S$12,000
4%	S$8,000 - S$30,000	S$12,000 - S$40,000
6%	>S$30,000 - S$40,000	>S$40,000 - S$50,000
10%	>S$40,000 - S$55,000	>S$50,000 - S$75,000
14%	>S$55,000 - S$70,000	>S$75,000 - S$85,000
20%	>S$70,000 - S$85,000	>S$85,000 - S$100,000
26%	>S$85,000 - S$100,000	>S$100,000 - S$140,000
32%	>S$100,000	>S$140,000



Introduction of an Overseas Humanitarian Assistance Tax Deduction Scheme ("OHAS")

Current

Donors do not receive tax deductions for overseas cash donations except in case of the Philanthropy Tax Incentive Scheme for Family Offices ("PTIS").

The PTIS provides qualifying donors 100% tax deduction for overseas cash donations capped at 40% of the donor's statutory income, provided that the donor has a fund under Section 13O or 13U of SITA and meet eligibility conditions such as incremental local business spending of S$200,000.

New Treatment

To encourage giving towards overseas emergency humanitarian assistance causes, the OHAS will be introduced for the period from 1 January 2025 to 31 December 2028.



The OHAS will provide individual and corporate donors with 100% tax deduction for qualifying overseas cash donations made through a designated charity and towards a fundraiser for humanitarian assistance with a valid Fund-raising for Foreign Charitable Purpose permit from the Commissioner of Charities. The list of designated charities will be made available from 1 January 2025.



For donors under PTIS, tax deductions under both OHAS and PTIS will be jointly capped at 40% of the donor's statutory income.



Any unutilised tax deductions under OHAS cannot be carried forward to offset the donor's income for any subsequent YA and cannot be transferred to another company of the same group under the Group Relief System for any YA.

Commentary

The OHAS is a welcome and timely introduction given the natural disasters such as earthquakes or floods or sudden crises such as pandemics that could occur from time to time. The incentive supports the desire of individuals and corporates alike to contribute towards such causes, by way of a tax deduction.

CCS - MS
Singapore Budget Seminar 2024

Date: Thursday, 7 March 2024°
Time: 1.30pm - 5:00pm°
(Registration with Buffet Lunch starts at 12.00pm)
Venue: Pan Pacific Singapore, Pacific Ballroom (Level 1), Marina Square,°7 Raffles Blvd, Singapore 039595

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