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SINGAPORE Budget 2022

A summary of the tax and other changes as announced on 18 February 2022

Companies and Businesses

1. Corporate income tax rate

No changes were made to the corporate income tax rate which remains at 17% since Year of Assessment ("YA") 2010.

However, the corporate tax system will be updated in response to the global minimum effective tax rate under the Pillar 2 Global Anti-Base Erosion ("GlobBE") rules of the Base Erosion and Profit Shifting 2.0 project which will include a top-up tax called the Minimum Effective Tax Rate ("METR").

The METR will top up a multinational enterprise ("MNE") group's effective tax rate in Singapore to 15%. The METR will apply to MNE groups operating in Singapore that have annual revenues of at least €750 million, as reflected in the consolidated financial statements of the ultimate parent entity. The METR, if introduced eventually, will be aligned with the Pillar 2 GlobBE rules as far as possible.

IRAS will study the METR further and consult industry stakeholders on the design of the METR. MOF will continue to closely monitor international developments before making any decisions on the METR.

2. Corporate income tax rebate ("CIT rebate")

There is no CIT rebate for YA 2022.

3. Extending and enhancing the Approved Royalties Incentive ("ARI")

To continue encouraging companies to leverage new technologies and know-how to develop the capabilities of our local workforce and capture new growth opportunities, the ARI which was scheduled to lapse after 31 December 2023, will be extended till 31 December 2028.

The ARI will also be simplified to cover classes of royalty agreements based on an activity-set-based approach. EDB will provide further details of the changes by 30 June 2022.

4. Extending the Approved Foreign Loan ("AFL") scheme

To continue encouraging companies to invest in productive equipment for the purpose of conducting substantive activities in Singapore, the AFL scheme which was scheduled to lapse after 31 December 2023, will be extended till 31 December 2028.

5. Extending the tax framework for facilitating corporate amalgamations under section 34C of the Income Tax Act ("ITA") to Licensed Insurer

To ensure parity in treatment for all companies, including those that are in the insurance business, the tax framework for facilitating corporate amalgamations will be extended to cover amalgamation of Singapore-incorporated companies involving a scheme of transfer under section 117 of the Insurance Act 1966 ("IA"), where the court order for the confirmation of the scheme referred to under section 118 of the IA is made on or after 1 November 2021.

The extension of the framework is subject to conditions, which include the following:

a) The amalgamated company takes over all property, rights, privileges, liabilities, and obligations, etc. of the amalgamating company on the date of amalgamation; and

b) The amalgamating company becomes dormant (i.e. ceases to conduct any business or any other activities, and does not derive any income) on the date of amalgamation and remains so until it is dissolved or wound up; and

c) The amalgamating company is dissolved or wound up before the filing due date of the income tax return for the Year of Assessment ("YA") related to the basis period in which the scheme of transfer was effected.

The tax treatments under the tax framework will apply with modifications where appropriate. IRAS will provide further details of the changes by 31 October 2022.

6. Facilitating disclosure of company-related information for official duties

To support data-driven policymaking, operations, and integrated service delivery, the following changes to the Income Tax Act ("ITA") and GST Act ("GSTA") will be made to facilitate the disclosure of information by IRAS for such purposes:

a) Where taxpayers have provided consent for their information to be shared, IRAS can disclose such information to a public officer (or any other authorised person outside the public sector who is engaged by the Government or a statutory board) for the performance of his official duties.

b) In addition, IRAS can disclose a prescribed list of identifiable information on companies to public sector agencies for the performance of official duties. This sharing of identifiable company-related information within the public sector will be conducted without the need for taxpayer's consent. Any such information shared will be made less granular by IRAS to preserve the taxpayer's confidentiality, while remaining useful to public sector agencies. For instance, the prescribed list will include the sales revenue band an identified company belongs to, but not the exact value of its sales revenue. In addition, such information will not be disclosed to any person outside the public sector even if the person is engaged by the Government or a statutory board.

7. Allowing the Integrated Investment Allowance ("IIA") scheme to lapse after 31 December 2022

As part of the Government's regular review of tax incentives including their relevance, the IIA scheme will be allowed to lapse after 31 December 2022.

8. Extending and rationalising the withholding tax ("WHT") exemptions for the financial sector

WHT exemption for the following payments are scheduled to lapse after 31 December 2022:

a) Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities;

b) Interest payments on margin deposits made under all derivatives contracts by approved exchanges, approved clearing houses, members of approved exchanges and members of approved clearing houses;

c) Specified payments made under securities lending or repurchase agreements by specified institutions;

d) Payments made under interest rate or currency swap transactions by MAS; and

e) Payments made under interest rate or currency swap transactions by financial institutions.

To continue supporting the competitiveness of our financial sector, the WHT exemption for payments a) to d) will be extended till 31 December 2026. This will cover payments made under a contract or agreement that takes effect on or before 31 December 2026.

To rationalise the WHT exemption for the financial sector, the WHT exemption for payment e) will be allowed to lapse after 31 December 2022. Such payments can be covered under the existing WHT exemption for payments on over-the-counter financial derivatives.

MAS will provide any consequential details by 31 May 2022.

9. **Enhancing the Tax Incentive Scheme for Funds Managed by Singapore-based Fund Manager ("Qualifying Funds")**

To continue growing Singapore's asset management industry, the conditions imposed on the investments in physical Investment Precious Metals ("IPMs") under the Designated Investments ("DI") list will be refined as follows.

a) The incidental condition will be removed, i.e. investments in physical IPMs need not be incidental to the trading of derivative IPMs; and

b) The cap will be revised to 5% of the total investment portfolio for the taxpayer's incentive award under sections 13D/13O/13U of the ITA.

These refinements will be effective on and after 19 February 2022. MAS will provide further details of the changes by 31 May 2022.

10. **Extending and rationalising the tax incentives for Project and Infrastructure Finance**

The package of tax incentive schemes for Project and Infrastructure Finance includes:

a) Exemption of qualifying income from qualifying project debt securities ("QPDS");

b) Exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects/assets received by approved entities listed on the Singapore Exchange ("SGX"); and

c) Concessionary tax rate of 10% on qualifying income derived by an approved Infrastructure Trustee-Manager/Fund Management Company from managing qualifying SGX-listed Business Trusts/Infrastructure funds in relation to qualifying infrastructure projects/assets ("ITMFM scheme").

The schemes are scheduled to lapse after 31 December 2022.

To continue supporting the development of Singapore as an infrastructure financing hub, the existing tax incentive schemes for Project and Infrastructure Finance under a) and b) will be extended till 31 December 2025.

As part of Government's regular review of tax incentives including their relevance, the ITMFM scheme in c) will be allowed to lapse after 31 December 2022. Existing ITMFM scheme recipients will continue to enjoy the tax benefits for the remaining tenure of their existing awards.

MAS will provide any consequential details by 31 May 2022.

11. **Changing the basis of preparation of tax computations for insurers from financial statements ("FS") to MAS Statutory Returns**

With the adoption of the new Financial Reporting Standard ("FRS") 117 for the preparation of FS, the MAS Statutory Returns instead of FS will be used as the basis for preparing tax computations for insurers. Related consequential adjustments to existing tax treatments will also be introduced. This change is in view of the following:

a) Insurers will not be able to prepare their tax computations using the FS prepared in accordance with FRS 117 as the FS will not provide sufficient information necessary to apply the existing tax rules such as those under section 26 of the ITA.

b) Using MAS Statutory Returns as the basis for preparation of tax computations will allow the existing tax rules and tax incentives (if applicable) to continue to apply without adding substantial tax compliance burden on insurers.

This change will take effect from YA 2024 (or YA 2025 for insurers whose financial year end is not 31 December). IRAS will provide further details of the changes by 30 September 2022.

12. Extending the broad-based withholding tax ("WHT") exemption for container lease payments made to non-tax-resident lessors under operating lease ("OL") agreements

This exemption is scheduled to lapse after 31 December 2022. To continue supporting the local demand for containers, container lease payments made to non-tax-resident lessors under OL agreements entered into on or before 31 December 2027 will be exempted from WHT.

13. Extending the broad-based WHT exemption for ship and container lease payments under finance lease ("FL") agreements for Maritime Sector Incentive ("MSI") recipients

This exemption is scheduled to lapse after 31 December 2023. To continue developing Singapore as an international maritime centre, ship and container lease payments made by specified MSI recipients to non-tax-resident lessors under FL agreements entered into on or before 31 December 2028 will be exempted from WHT.

14. Extending the Aircraft Leasing Scheme ("ALS")

To continue encouraging the growth of the aircraft leasing sector in Singapore, the ALS which was scheduled to lapse after 31 December 2022, will be extended till 31 December 2027.

Individuals

15. Personal income tax rates

With effect from Year of Assessment ("YA") 2024, the top marginal personal income tax rate for tax resident individual taxpayers will be increased as follows:

i. The marginal tax rate will increase from 22% to 23% for annual income exceeding $500,000 and up to $1 million; and
ii. The marginal tax rate will increase from 22% to 24% for annual income exceeding $1 million.

The new personal income tax rate table will be as follows:

	Chargeable Income ($)	Tax Rate (%)	Gross Tax Payable ($)
On the first On the next	20,000 10,000	0 2	0 200
On the first On the next	30,000 10,000	- 3.5	200 350
On the first On the next	40,000 40,000	- 7	550 2,800
On the first On the next	80,000 40,000	- 11.5	3,350 4,600
On the first On the next	120,000 40,000	- 15	7,950 6,000
On the first On the next	160,000 40,000	- 18	13,950 7,200
On the first On the next	200,000 40,000	- 19	21,150 7,600
On the first On the next	240,000 40,000	- 19.5	28,750 7,800
On the first On the next	280,000 40,000	- 20	36,550 8,000
On the first On the next	320,000 180,000	- 22	44,550 39,600
On the first On the next	500,000 500,000	- 23	84,150 115,000
On the first On the next	1,000,000 1,000,000	- 24	199,150

The personal income tax rates for non-tax residents (except on employment income and certain income taxable at reduced withholding tax rates) will be increased from 22% to 24%.

16. Extending the withholding tax exemption for non-tax resident mediators ("NRMs")

This exemption is scheduled to lapse after 31 March 2022. To build on the momentum of supporting Singapore's development as an international mediation hub, the existing withholding tax exemption on income derived by a NRM for mediation work carried out in Singapore will be extended to 31 March 2023.

From 1 April 2023, gross income derived by NRMs from mediation work carried out in Singapore will be subject to a concessionary withholding tax rate of 10%, subject to conditions. The concessionary withholding tax rate will apply until 31 December 2027. Alternatively, NRMs may elect to be taxed at 24% on the net income, from YA 2024 onwards.

17. Extending the withholding tax exemption for non-tax resident arbitrators ("NRAs")

This exemption is scheduled to lapse after 31 March 2022. To build on the momentum of supporting Singapore's development as an international arbitration hub, the existing withholding tax exemption on income derived by a NRA for arbitration work carried out in Singapore will be extended to 31 March 2023.

From 1 April 2023, gross income derived by NRAs from arbitration work carried out in Singapore will be subject to a concessionary withholding tax rate of 10%, subject to conditions. The concessionary withholding tax rate will apply until 31 December 2027. Alternatively, NRAs may elect to be taxed at 24% on the net income, from YA 2024 onwards.

Goods and Services Tax ("GST")

18. GST rate

In order to meet the increased recurrent spending needs of the Government, the GST rate will be increased in two steps:

- From 7% to 8% with effect from 1 January 2023; and
- From 8% to 9% with effect from 1 January 2024.

19. Updating the GST treatment for travel arranging services

To ensure that Singapore's GST system remains resilient in a growing digital economy, the basis for determining whether zero-rating applies to a supply of travel arranging services will be updated, to be based on 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 in Singapore, the travel arranging service will be standard-rated; or
b) If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the travel arranging service will be zero-rated.

The change will ensure that the GST rules accurately reflect the place of consumption of travel arranging services. It will also ensure parity in GST treatment between local and overseas suppliers on the supplies of travel changing services.

This change will take effect from 1 January 2023. IRAS will provide further details on the changes by 31 July 2022.

Others

20. Carbon tax

The carbon tax rate will be raised progressively between 2024 to 2030 as follows:

Year	Rate (per tonne)
Current	$5
2024 – 2025	$25
2026 – 2027	$45
By 2030	$50 - $80

Carbon tax-liable businesses will be allowed to use carbon credits to offset up to 5% of taxable emissions from 2024.

A transition framework will be implemented to help emissions-intensive, trade-exposed sectors manage near-term impact on business competitiveness.

More details on support for households to be announced next year e.g. additional U-Save rebates.

21. CPF contribution rates for Singaporean and Singaporean Permanent Resident ("SPR") workers aged 55 to 70

The next increase in CPF contribution rates for Singaporean and SPR workers aged above 55 to 70 will take place on 1 January 2023 as shown in the table below. This increase will be fully allocated to the Special Account to help senior workers save more for retirement.

To mitigate the rise in business costs due to the increase of CPF contribution rates in 2023, a similar one-year CPF Transition Offset equivalent to half of the increase in employer CPF rates will be automatically provided for which employers need not apply.

Age band	CPF contribution rate (Total)	CPF contribution rate (Employer)	CPF contribution rate (Employee)	CPF Transition Offset
> 55 to 60	29.5% (+ 1.5%)	14.5% (+ 0.5%)	15% (+ 1%)	0.25%
> 60 to 65	20.5% (+ 2%)	11% (+ 1%)	9.5% (+ 1%)	0.5%
> 65 to 70	15.5% (+ 1.5%)	8.5% (+ 0.5%)	7% (+ 1%)	0.25%

22. Adjusting the minimum qualifying salary for Employment Pass ("EP") and S Pass holders

To ensure that EP holders are comparable in quality to the top one-third of local Professional, Managers, Executives, and Technicians ("PMET") workforce, the EP minimum qualifying salary will be raised from $4,500 to $5,000, and from $5,000 to $5,500 for the Finance Services sector. These changes will apply to new EP applications from 1 September 2022, and to renewal from 1 September 2023.

Similarly, to ensure that S Pass holders are comparable in quality to the top one-third of local Associate Professional and Technicians ("APT") workforce, the S Pass minimum qualifying salary will be raised in phases, with an increase from $2,500 to $3,000 on 1 September 2022 as the first step for new applications, and subsequently on 1 September 2023 and 1 September 2025. A higher S Pass qualifying salary for the Financial Services sector of $3,500 will also be introduced on 1 September 2022 for new applications.

These changes will apply to renewal applications one year later (e.g. the increase from new applications from 1 September 2022 will only affect renewals from 1 September 2023 onwards).

23. Foreign worker levy ("FWL") and Dependency Ratio Ceilings

The Tier 1 S Pass FWL rates will be progressively raised from $330 to:

- $450 from 1 September 2022
- $550 from 1 September 2023
- $650 from 1 September 2025

There will be no changes for Tier 2 FWL rates

There will also be other adjustments to FWL rates and Dependency Ratio Ceilings for the Construction and Process sector work permit holders.

24. Enhancing the progressivity of property tax for owner-occupied residential properties

The progressive property tax rates for owner-occupied residential properties will be revised for the portion of annual value in excess of $30,000.

This change will be phased in over two years as shown below.

	Property Tax Rate for Owner-occupied Residential Properties	
Annual Value	**Effective 1 January 2023**	**Effective 1 January 2024**
First $8,000	0%	0%
Next $22,000	4%	4%
Next $10,000	5%	6%
Next $15,000	7%	10%
Next $15,000	10%	14%
Next $15,000	14%	20%
Next $15,000	18%	26%
Above $100,000	23%	32%

The final property tax rates of up to 32% will take effect for property tax payable from 1 January 2024.

25. Enhancing the progressivity of property tax for non-owner-occupied (such as vacant, or let-out) residential properties

The progressive property tax rates for non-owner-occupied residential properties will be revised.

This change will be phased in over two years as shown below.

	Property Tax Rate for Non-owner-occupied Residential Properties	
Annual Value	**Effective 1 January 2023**	**Effective 1 January 2024**
First $30,000	11%	12%
Next $15,000	16%	20%
Next $15,000	21%	28%
Above $60,000	27%	36%

The final property tax rates of up to 36% will take effect from property tax payable from 1 January 2024.

26. New Additional Registration Fee ("ARF") tier for cars

To improve progressivity in the vehicle tax system, the portion of Open Market Value ("OMV") in excess of $80,000 will be taxed at 220%.

Open Market Value ("OMV")	ARF rate
First $20,000	100% of OMV
Next $30,000	140% of OMV
Next $30,000	180% of OMV
In excess of $80,000	220% of OMV

The new rates will apply to all cars, including imported used cars, and goods-cum-passenger vehicles registered with Certificates of Entitlement ("COEs") obtained from the second COE bidding exercise in February 2022 onwards.

For cars that do not need to bid for COEs (e.g. taxis, classic cars), the new rates will apply from 19 February 2022.

Further details will be announced by the Land Transport Authority ("LTA").

Contact us

If you need assistance or advice on the above, we are here to assist you.

Michelle Seat
Director, Tax
Foo Kon Tan LLP
D +65 6304 2342
F +65 337 2197
E michelle.seat@fookontan.com

Foo Kon Tan LLP
24 Raffles Place #07-03
Clifford Centre
Singapore 048621
T: +65 6336 3355
F: +65 6337 2197

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