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Singapore Budget 2023

Tax Alert
March 2023

A summary of the tax and other changes as announced on 14 February 2023

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, under Pillar 2 of the Base Erosion and Profit Shifting ("BEPS") 2.0 project, Singapore plans to implement the Global Anti-Base Erosion ("GlobBE") rules and Domestic Top-Up Tax ("DTT") of 15% from businesses' financial year starting on or after 1 January 2025.

The Government will continue to monitor international developments and adjust the implementation timeline as and when needed, if there are delays. The Government will also continue to engage businesses and provide them with sufficient notice ahead of any implementation of rules.

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

There is no CIT rebate for YA 2023.

3. Introducing the Enterprise Innovation Scheme ("EIS")

To encourage businesses to engage in research and development (R&D), innovation and capability development activities, the following tax measures will be enhanced or introduced under the EIS from YA 2024 to YA 2028:

(a) Enhancement of tax deduction to 400% for the first $400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore for each YA.
(b) Enhancement of tax deduction to 400% for the first $400,000 of qualifying IP registration costs incurred per YA.
(c) Enhancement of tax allowance or deduction to 400% for the first $400,000 (combined cap) of qualifying expenditure incurred on the acquisition and licensing of IP rights per YA. This enhancement will only be available to businesses that generate less than $500 million in revenue in the relevant YA.
(d) Enhancement of tax deduction to 400% for the first $400,000 of qualifying training expenditure incurred on qualifying courses (i.e. courses that are eligible for SkillsFuture Singapore funding and aligned with the Skills Framework) per YA.
(e) Introduction of a 400% tax deduction for up to $50,000 of qualifying innovation expenditure incurred on qualifying innovation projects carried out with polytechnics, Institute of Technical Education, and other qualified partners per YA.
(f) Allow businesses to, in lieu of tax deductions or allowances, opt for a non-taxable cash payout at a cash conversion ratio of 20% on up to $100,000 of total qualifying expenditure across all the above qualifying activities per YA. The cash payout option will be capped at $20,000 per YA, and will only be available to businesses which have at least three full-time local employees (Singapore Citizens or Permanent Residents with CPF contributions) earning a gross monthly salary of at least $1,400 in employment for six months or more in the basis period of the relevant YA.

4. Enhancing the Double Tax Deduction for Internationalism ("DTDi") Scheme

To continue supporting businesses in their efforts to overcome initial challenges and build up capabilities in internationalisation via e-commerce, the scope of the DTDi scheme will be enhanced to include a new qualifying activity "e-commerce campaign" and cover the following e-commerce campaign startup expenses paid to e-commerce platform/service providers:

(a) Business advisory: Advisory on market promotion and execution plans (e.g. choice of suitable e-commerce platforms);
(b) Account creation: Assistance with setting up accounts on e-commerce platforms, and the right to sell on e-commerce platforms;
(c) Content creation: Design of e-commerce campaign publicity materials (e.g. e-store banners, online product images); and
(d) 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.

Prior approval is required from Enterprise Singapore to enjoy DTDi on the new qualifying activity. For each business, Enterprise Singapore will only approve DTDi support for e-commerce campaigns for a maximum period of one year applied on a per-country basis.

The above enhancement will take effect for qualifying e-commerce campaign startup expenses incurred on or after 15 February 2023. Enterprise Singapore will provide further details of the changes by 28 February 2023.

5. Providing an option to accelerate the write-off of the cost of acquiring plant and machinery

Businesses are given the option to accelerate the write-off over two years, instead of three years or over the prescribed working life of the asset, on the cost incurred in acquiring the asset during the basis period for YA 2024.

The rates of accelerated capital allowance allowed are as follows:
(a) 75% of the cost incurred to be written off in the first year (i.e. YA 2024); and
(b) 25% of the cost incurred to be written off in the second year (i.e. YA 2025).

If exercised, this option is irrevocable. No deferment of capital allowance claim is allowed under this option.

6. Providing an option to accelerate the deduction of expenses incurred on renovation and refurbishment ("R&R")

For qualifying R&R expenditure incurred during the basis period for YA 2024, businesses have the option to claim the deduction in one year (i.e. accelerated R&R deduction) instead of over three years. The cap of $300,000 for every relevant period of 3 consecutive YAs will still apply. If exercised, this option is irrevocable.

7. Extending the Investment Allowance ("IA") Scheme

To continue encouraging businesses to make capital investments in plant and productive equipment in Singapore, the IA scheme will be extended till 31 December 2028.

8. Extending the IA-100% Scheme for Automation Projects

To continue encouraging businesses to transform through automation, the IA-100% scheme will be extended till 31 March 2026.

9. Extending the Pioneer Certificate Incentive ("PC") and Development and Expansion Incentive ("DEI")

To continue encouraging companies to anchor and grow strategic high value-added manufacturing and services activities in Singapore, the PC and DEI will be extended till 31 December 2028.

10. Extending the IP Development Incentive ("IDI")

To continue supporting the use and commercialisation of IP rights arising from R&D activities in Singapore, the IDI will be extended till 31 December 2028.

11. Extending and Refining the Qualifying Debt Securities ("QDS") Scheme

To continue supporting the development of Singapore's debt market, the QDS scheme will be extended till 31 December 2028. The scope of qualifying income under the QDS scheme will be streamlined and clarified such that it includes all payments in relation to early redemption of a QDS.

The requirement that the QDS has to be substantially arranged in Singapore will be rationalised, as follows:

(a) For all debt securities that are issued on or after 15 February 2023, they must be substantially arranged in Singapore by a financial institution holding a specified licence (instead of a Financial Sector Incentive company).

(b) For insurance-linked securities ("ILS") that are issued on or after 1 January 2024, if they are unable to meet the condition in (a) above, at least 30% of the ILS issuance costs incurred by the issuer must be paid to Singapore businesses.

The Monetary Authority of Singapore ("MAS") will provide further details by 31 May 2023.

12. Extending the tax exemption on income derived by primary dealers from trading in Singapore Government Securities ("SGS")

To continue supporting primary dealers and encourage trading in SGS, the tax exemption on income derived by primary dealers from trading in SGS will be extended till 31 December 2028. All other conditions of the scheme remain the same.

13. Extending and refining the tax incentive scheme for Approved Special Purpose Vehicle ("ASPV") engaged in asset securitisation transactions ("ASPV scheme") and introducing a new sub-scheme to support covered bonds

To continue developing the structured debt market, the ASPV scheme will be extended till 31 December 2028.

The ASPV scheme will be refined such that instead of a fixed rate of 76%, the GST recovery rate will be the prevailing GST recovery rate / methodology accorded to licensed full banks under MAS for the specific year in question. All other tax concessions and conditions of the ASPV scheme remain the same.

Further, to support the issuance of covered bonds in Singapore, a new sub-scheme named ASPV (Covered Bonds) will be introduced for the special purpose vehicle holding the "cover pool" in relation to the covered bonds as defined in MAS notice 648. The ASPV (Covered Bonds) scheme will take effect from 15 February 2023 to 31 December 2028 and will be administered by MAS.

MAS will provide further details by 31 May 2023.

14. Extending and refining the Financial Sector Incentive ("FSI") scheme

To support the continued growth of financial sector activities in Singapore, the FSI scheme will be extended and refined as follows:

(a) The FSI scheme (note) will be extended till 31 December 2028.
(b) The existing concessionary tax rates will be streamlined to two tiers of 10% and 13.5% for new and renewal awards approved on or after 1 January 2024, as follows:
    (i) FSI-Capital Market, FSI-Derivatives Market and FSI-Credit Facilities Syndication – from 5% to 10%;
    (ii) FSI-Fund Management and FSI-Headquarter Services – remain at 10%;
    (iii) FSI-Trustee Companies – from 12% to 13.5%; and
    (iv) FSI-Standard Tier – remain at 13.5%
(c) The qualifying activities will be updated to ensure continued relevance.

MAS will provide further details of the changes by 31 May 2023.

Note: Under the FSI-Headquarter Services, withholding tax exemption is granted on interest payments made to qualifying non-residents during the award tenure on qualifying loans. The withholding tax exemption will similarly be extended till 31 December 2028.

15. Extending the Insurance Business Development – Insurance Broking Business ("IBD-IBB") Scheme

To further strengthen Singapore's position as a leading insurance and reinsurance centre, the IBD-IBB scheme will be extended till 31 December 2028. All other conditions of the scheme remain the same.

16. Extending the tax concession for deduction of general provisions for doubtful debts and regulatory loss allowances made in respect of non-credit-impaired financial instruments for banks (including merchant banks) and qualifying finance companies

To continue to promote the overall robustness and stability of the Singapore financial system, the tax deduction under section 14G of the Singapore Income Tax Act will be extended till YA 2029 (for banks, merchant banks, and qualifying finance companies with a 31 December financial year end) or YA 2030 (for banks, merchant banks, and qualifying finance companies with a non-31 December financial year end).

17. Extending three tax measures relating to submarine cable systems

To maintain and enhance Singapore's international connectivity, the following tax measures will be extended till 31 December 2028:

(a) Withholding tax exemption on payments made to non-residents for use of international telecommunications submarine cable capacity under indefeasible right to use ("IRU") agreements.
(b) Writing-down allowance for the acquisition of an IRU over their useful life.
(c) IA for the construction and operation of submarine cable systems in Singapore.

18. Withdrawing the tax deduction for expenditure incurred on building modifications for benefit of disabled employees

The scheme will be withdrawn from 15 February 2023.

Individuals

19. Change in Working Mother's Child Relief ("WMCR")

The WMCR will be modified to a fixed dollar tax relief for eligible working mothers with qualifying children who are Singapore itizens born or adopted on or after 1 January 2024 as part of the review of the Government's support for Marriage & Parenthood. This change will take effect from YA 2025.

There is no change to the WMCR that the mother can claim for an eligible working mother with a qualifying Singapore Citizen child born or adopted before 1 January 2024. Based on the current design and quantum (i.e. a percentage of their earned income), working mothers of these children may continue to claim the WMCR in respect of these children.

For a qualifying child who is a Singapore Citizen and born or adopted on or after 1 January 2024, the WMCR amount for qualified working mothers is as follows:

Child Order	WMCR Amount (For a qualifying Singapore citizen child born or adopted on or after 1 January 2024)
1st	$8,000
2nd	$10,000
3rd and beyond	$12,000

20. Lapse of the Foreign Domestic Worker Levy Relief ("FDWLR")

The FDWLR is scheduled to lapse for all taxpayers with effect from YA 2025.

21. Grandparent Caregiver Relief ("GCR")

With effect from YA 2024, working mothers will be eligible to claim GCR for caregivers who have trade, business, profession, vocation, or/and employment income if the caregivers' total income from these activities does not exceed $4,000 in the year preceding the YA of claim, provided that they have met all other requirements.

Goods and Services Tax ("GST")

22. GST rate

The GST rate will be increased from 8% to 9% with effect from 1 January 2024.

Others

23. Extending the 250% tax deduction for qualifying donations to Institutions of a Public Character ("IPCs") and eligible institutions

To continue encouraging philanthropy in Singapore, the 250% tax deduction on qualifying donations made to IPCs will be extended to 31 December 2026. All other conditions of the scheme remain the same.

24. Extending and enhancing the Corporate Volunteer Scheme ("CVS")

To continue supporting corporate volunteering, the 250% tax deduction on qualifying expenditure incurred under the CVS will be extended to 31 December 2026.

The scope of qualifying volunteering activities will be expanded to include activities which are conducted virtually (e.g. online mentoring and tuition support for youths/children) or outside of the IPCs' premises (e.g. refurbishment of rental flats).

The cap on qualifying expenditure per IPC per calendar year has been doubled to $100,000.

The above enhancements will take effect from 1 January 2024. All other conditions of the scheme remain the same.

25. Introducing the Philanthropy Tax Incentive Scheme for Family Offices

Qualifying donors with Family Offices operating in Singapore can claim 100% tax deduction for overseas donations made through qualifying local intermediaries. The tax deduction is capped at 40% of the donor's statutory income.

To qualify, donors must have a fund under MAS' section 13O or 13U schemes and meet eligibility conditions, such as incremental business spending of $200,000.

MAS will provide further details by 30 June 2023.

26. Raising Buyer's Stamp Duty ("BSD") rates for higher-value residential and non-residential properties

The BSD marginal rates for higher-value residential and non-residential properties purchased on or after 15 February 2023 will increase to improve the progressivity of the BSD regime.

For residential properties, a new marginal BSD rate of:

(a) 5% will apply to the portion of the property value in excess of $1.5 million and up to $3 million; and

(b) 6% will apply to the portion of the property value in excess of $3 million.

For non-residential properties, a new marginal BSD rate of:

(a) 4% will apply to the portion of the property value in excess of $1 million and up to $1.5 million; and

(b) 5% will apply to the portion of the property value in excess of $1.5 million.

The revised marginal BSD rates are as follows:

Higher of Purchase Price or Market Value of the Property	Marginal BSD Rates	
	Residential Properties	Non-residential Properties
First $180,000	1%	1%
Next $180,000	2%	2%
Next $640,000	3%	3%
Next $500,000	4%	4%
Next $1,500,000	5%	5%
Amount exceeding $3,000,000	6%	

There will be a transitional provision under which the BSD rates on or before 14 February 2023 will apply for cases that satisfy all the requirements below:

a) The Option to Purchase ("OTP") was granted by sellers to potential buyers on or before 14 February 2023;
b) This OTP is exercised on or before 7 March 2023, or within the OTP validity period, whichever is earlier; and
c) This OTP has not been varied on or after 15 February 2023.

Contact Us

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

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