

# SINGAPORE BUDGET 2017

Moving Forward Together



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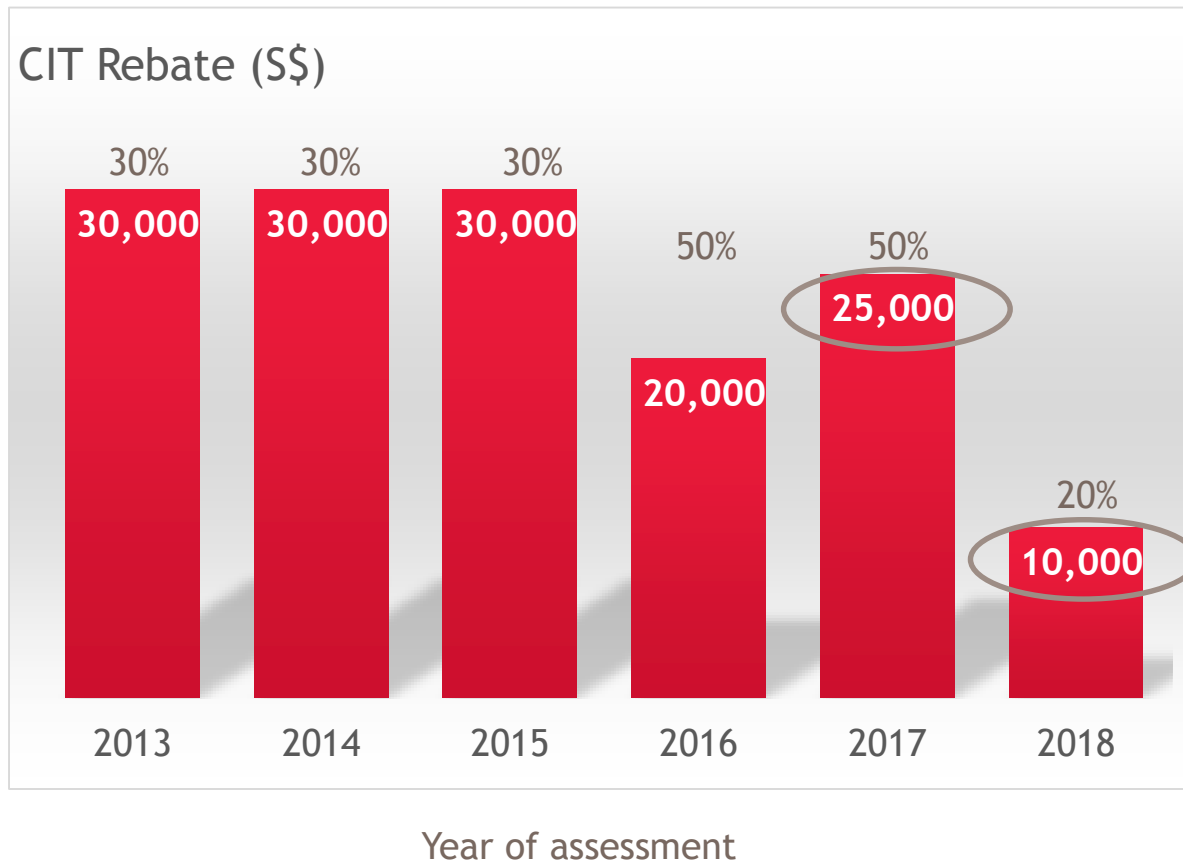
- Companies enjoy a CIT rebate of **50%** for YA 2016 and YA 2017, **capped at S\$20,000 per YA**

### New treatment

- Increase the cap to S\$25,000 for YA 2017
- Extend the rebate to YA 2018 at 20% with a cap at **S\$10,000**
- Targeted at helping SMEs
- Loss making company will not enjoy

# Corporate Tax



## Corporate income tax rebate



# Corporate Tax

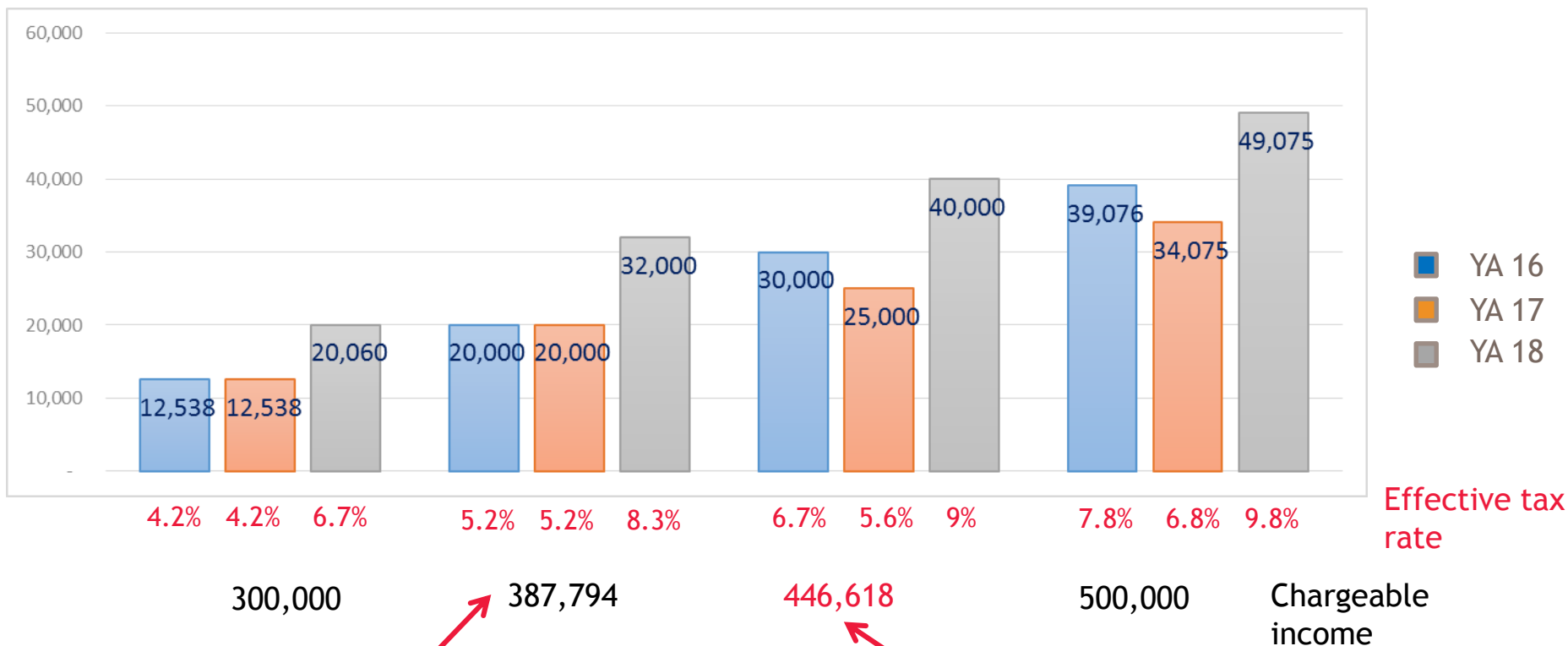
## Corporate income tax rebate

S\$'000	YA 2017	YA 2017 (with rebate at 50%)	YA2018 (with rebate at 20%)
Chargeable income	446		
Less: Partial exemption	(152)		
CI after exemption	294		
Tax payable @ 17%	50	50	50
Rebate		(25)	(10)
Net tax payable		25	40
	(50/446)	(25/446)	(40/446)
Effective tax rate	11.2%	5.6%	9%

# Corporate Tax

## Corporate income tax rebate



S\$20k rebate for YA 16

S\$25k rebate for YA17  
S\$10k rebate for YA 18

# Corporate Tax

## Productivity and Innovation Credit scheme



R&D



Acquisition or in-licensing of intellectual property rights



Registration of intellectual property rights



Approved industrial or product design under taken primarily in SG



Acquisition or leasing of qualifying PIC IT and automation equipment



Training provided to employees

The cash payout rate has been lowered to 40%

The PIC scheme will expire after YA 2018



# Corporate Tax

## Mandatory E-filing

### REMINDER

- Mandatory E-filing of corporation income tax returns (including ECI, Form C and Form C-S) in stages, with all companies required to e-File for YA 2020

YA	Target group
2018	Companies with turnover of more than S\$10 million in YA 2017
2019	Companies with turnover of more than S\$1 million in YA 2018
2020	All companies

# Corporate Tax

## New intellectual property development incentive

### Current treatment

- Intellectual property (IP) income arising from qualifying activities is covered under:
  - Pioneer Services/Headquarters Incentive; and
  - Development and Expansion Incentive/Headquarters

### New treatment

- IP income will now be incentivised under a new IP Development Incentive (IDI)
- New Pioneer Services incentive and DEI incentive approved on or after 1 July 2017 will exclude the IP income

# Corporate Tax

## New intellectual property development incentive

### New treatment

- Existing incentive recipients will continue to have their IP income covered under their prevailing incentive until 30 June 2021
- In line with Singapore's commitment to adopt four minimum standards from the 15-Action Plan on BEPS; one of which is Action 5 - Harmful Tax Practices.
- To align taxation with **business substance**, new IDI will incorporate OECD's BEPS-compliant modified nexus approach from Action 5



# Corporate Tax

## Global Trader Programme

### Current treatment

- Companies awarded with the Global Trader Programme (GTP) incentive enjoy concessionary tax rate at 5% or 10% on :
  - qualifying income;
  - derived from qualifying transactions;
  - transacted with qualifying counterparties

# Corporate Tax

## Global Trader Programme

- Principal physical trades with offshore parties or other GTP companies on both the buy and sell legs of the transactions:



- Domestic exports, local sales and trades with non-GTP Singapore-based entities will be considered as **non-qualifying trades**.



# Corporate Tax

## Global Trader Programme

### New treatment

- The GTP incentive will be simplified and enhanced as follows:
  - The requirement for qualifying transactions to be transacted with qualifying counterparties will be removed;
  - Effectively, income derived by approved GTP companies from qualifying transactions with **any** counterparty will be eligible for the concessionary tax treatment

# Corporate Tax

## Global Trader Programme

### New treatment

- Other changes : Concessionary tax rate will be granted to GTP companies on physical trading income:
  - Derived from transactions in which the commodity is purchased for the purposes of consumption in Singapore or for the supply of fuel to aircraft or vessels within Singapore;
  - Attributable to storage in Singapore or any activity carried out in Singapore which adds value to commodity by any physical alteration, addition or improvement (including refining, blending, processing or bulk- breaking)



# Corporate Tax

## Global Trader Programme

### New treatment

- New or renewal awards approved on or after 21 Feb 2017
  - Substantive requirements will be increased



# Corporate Tax

## Cost sharing agreement for R&D projects

### Current treatment

- Effective from YA 2012, tax deduction for R&D expenditure made under a cost sharing agreement (CSA) is allowed under Section 14D
- Subject to specific restriction rules for certain categories of expenditure disallowed under Section 15 of the Singapore Income Tax Act (SITA)
- The breakdown of expenditure for payments made under CSA would need to be analysed so as to exclude any disallowed expenditure



# Corporate Tax

## Cost sharing agreement for R&D projects

### New treatment

- Option to claim tax deduction under Section 14D of the SITA at 75% of the payments made under CSA for qualifying R&D projects
- Buy-in payments for the right to become a party to the CSA is expected to continue to be non-deductible
- The change will apply to CSA payments made on or after 21 February 2017
- Details to be released by the IRAS by May 2017





# Corporate Tax

## Withholding tax

### Current treatment

- Payments for international telecommunications submarine cable capacity under an indefeasible rights of use (IRU) agreement to non-residents are exempt from withholding tax since 2003
- WHT exemption on the above payments is scheduled to lapse after 27 February 2018

### New treatment

- WHT exemption will be extended until 31 December 2023



# Corporate Tax

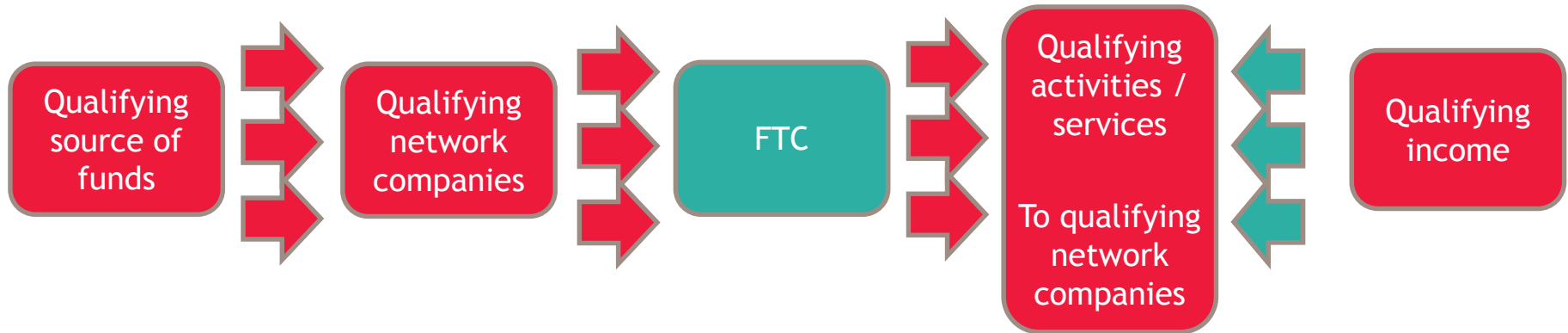
## Finance and Treasury Centre scheme

### Current treatment

- Concessionary tax rate of 8% on qualifying income
- WHT exemption on interest payment on qualifying loans
- A major revamp last year with a five year extension until 31 March 2021
- Administered by EDB

# Corporate Tax

## Finance and Treasury Centre scheme



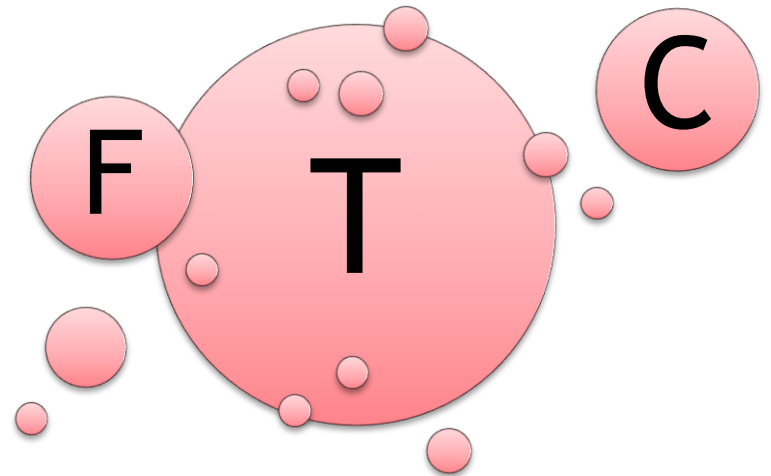
- Provide qualifying services to qualifying network companies using the funds from qualifying sources
- Significant administrative challenges - tracking of source of funds and usage of funds

# Corporate Tax

## Finance and Treasury Centre scheme

### New treatment

- Qualifying counterparties for certain qualifying activities will be streamlined
- The change will apply to new and renewal approved on or after 21 February 2017
- Details to be released by EDB by May 2017



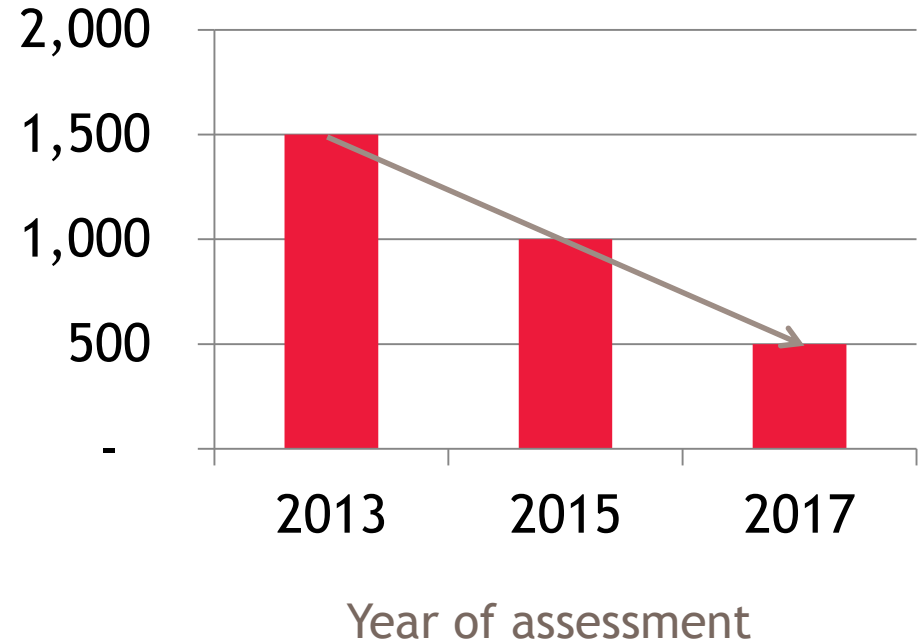
# PERSONAL TAX

# Personal Tax

## Personal income tax rebate

### New treatment

- A one-time PIT rebate of 20% of tax payable will be granted to all tax resident individual taxpayers for YA 2017, capped at S\$500 per taxpayer
- No other changes







# Personal Tax

## Personal income tax rebate

- Highest personal tax rate of 22% w.e.f. YA 2017 (announced in 2015 Budget)
- Individual with chargeable income exceeding S\$160,000 will be affected
- With effect from YA 2018, the total amount of personal income tax reliefs will be **capped at S\$80,000** per YA

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