Pioneer Associates
Pioneer Management Services Pte Ltd

CLIENT MEMORANDUM

23 February 2015

SINGAPORE BUDGET 2015

For FY 2014, Singapore is expected to achieve a very small deficit of S$0.1 billion, close to a balanced position. The outlook for 2015 is uncertain due to prolonged sluggish growth in advanced economies globally at least for the medium term and continued consolidation in China's growth as it reforms its economy. The Ministry of Trade and Industry expects the Singapore economy to grow between 2% to 4% which is similar to last year's growth of 2.9%.

This year's budget is focused on assisting SMEs to innovate and internationalise their operations through tax incentives, grant support and financing schemes. Whilst there has been a good take-up of the Government's drive for productivity and innovation, businesses will still require time to adjust to rising costs as they continue to restructure. Therefore, the Wage Credit Scheme and corporate tax rebate which will expire in 2015 will be extended for another 2 years but at reduced support rates. However, the PIC Bonus will not be extended.

With effect from 1 January 2016, the following CPF changes will be effected:

- The CPF salary ceiling will increase from S$5,000 to S$6,000.
- The total CPF contribution rates for workers aged 50 to 65 years will be increased by 0.5% to 2%.

The foreign workers levy will be recalibrated due to a slowdown in foreign workforce growth. There will be a deferment of this year's round of announced levy increases for S Pass and Work Permit Holders in every sector. For the manufacturing sector, the current levy rates will remain unchanged for 2 more years ie, 2015 and 2016. The same applies to the construction sector with adjustments to Work Permit Holder levies over 2015 to 2017.

With close to full employment and a tight labour market, there will be various initiatives to empower individuals to develop a culture of lifelong learning. The Government recognizes that with a small population, it is not possible to achieve capabilities in every area. 5 growth clusters of the future have been identified where Singapore can build on existing strengths:

a. Advanced Manufacturing aided by new technologies such as advanced robotics and additive manufacturing.

b. Applied Health Sciences, such as developing new medical devices and better nutrition, and transforming healthcare delivery to provide care in an affordable way.

c. Smart and Sustainable Urban Solutions. There is a demand for Singapore expertise in waste management, transport and urban planning. Singapore will continue to develop new solutions to overcome its own physical constraints.

d. Logistic and Aerospace. Singapore is a leading global hub and will continue to invest in new technological platforms and in its air and seaport infrastructure.

e. Asian and Global Financial Services. Singapore is well positioned to serve the rapid growth of Asian Finance, in areas such as infrastructure financing, structured trade finance and wealth management.

Such initiatives will increase productivity within the Singapore workforce and develop new skills and competencies to enable better jobs and higher living standards. The Government will continue to invest in economic and social infrastructure and strengthen assurance in retirement to support an ageing population and ensure that Singapore remains competitive and liveable.

The main tax changes are summarised in the attached Appendices:

Appendix 1 – Highlights of Tax Changes for Corporate

Appendix 2 – Highlights of Tax Changes for Individual

Further information

Should you have any queries as to how these developments may impact your business, please do not hesitate to get in touch with your usual contact at Pioneer Associates, or please write or call us at:

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HIGHLIGHTS OF TAX CHANGES FOR CORPORATE

Key:

IRAS – Inland Revenue Authority of Singapore
ITA – Income Tax Act
EDB – Economic Development Board
MAS – Monetary Authority of Singapore
IE - International Enterprise Singapore
PIC Scheme – Productivity and Innovation Credit Scheme
YA – Year of Assessment i.e. tax year. For companies, income is taxed on a preceding year basis e.g. income earned in financial year ending 31 December 2015 is subject to tax in YA 2016.

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Extension of Corporate Income Tax ("CIT") rebate	Extended further for 2 YAs till YA 2017	A 30% CIT rebate capped at S$30,000 per YA was granted to companies from YA 2013 to YA 2015.	The 30% CIT rebate will be extended for additional two YAs (i.e. YAs 2016 and 2017) but with a reduced cap of S$20,000 per company per YA.
Allowing the PIC Bonus to lapse after YA 2015	To lapse after YA 2015	Businesses that invest a minimum of S$5,000 per YA in PIC qualifying expenditure will receive a dollar-for-dollar matching cash bonus ie, up to S$15,000 over YA 2013 to 2015. This is in addition to the existing PIC scheme.	The PIC Bonus will lapse after YA 2015.
Extension and enhancement of Mergers & Acquisitions ("M&A") scheme	M&A scheme extended until 31March 2020 Changes take effect for qualifying M&As made from 1 April 2015	a) <u>Tax benefits under the M&A scheme</u>: i. An M&A allowance at 5% of the value of the qualifying acquisition (capped at S$100 million on the value of qualifying acquisitions per YA) is allowed in equal amounts over 5 years.	a) <u>Revised tax benefits under the M&A scheme</u>: i. The M&A allowance rate will be increased to 25% of the value of qualifying acquisition (capped at S$20 million on the value of qualifying acquisition per YA);

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Extension and enhancement of Mergers & Acquisitions ("M&A") scheme	*IRAS to release further details including transitional arrangements by May 2015.*	ii. Stamp duty relief is allowed on the transfer of unlisted shares, capped at S$100 million of qualifying M&A deals [i.e. maximum relief of S$200,000 per financial year ("FY")]; and iii. 200% tax allowance on transaction costs incurred on qualifying M&A, subject to an expenditure cap of S$100,000 per YA is allowed over one year. b) <u>Shareholding eligibility tiers under the M&A scheme</u> Acquiring company must acquire ordinary shares in a target company (directly or indirectly) resulting in the acquiring company holding: i. More than 50% ordinary shareholding in the target company (if the acquiring company's original shareholding in the target company was 50% or less); or ii. At least 75% ordinary shareholding (if the acquiring company's original shareholding was more than 50% but less than 75%).	ii. Stamp duty relief on the transfer of unlisted shares will correspondingly be capped at S$20 million on the value of qualifying acquisitions (i.e. maximum relief of S$40,000 per FY); and iii. No change to the tax allowance on transaction costs incurred on qualifying M&A. b) <u>Revised shareholding eligibility tiers</u> Acquiring company must acquire ordinary shares in a target company (directly or indirectly) resulting in the acquiring company holding: i. At least 20% ordinary shareholding in the target company (if the acquiring company's original shareholding in the target company was less than 20%), subject to conditions; or ii. More than 50% ordinary shareholding in the target company (if the acquiring company's original shareholding in the target company was 50% or less) (status quo).

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Extension and enhancement of Mergers & Acquisitions ("M&A") scheme		c) "12-month look-back period" for step acquisitions that straddle across FYs Acquiring companies can elect for its ordinary share acquisitions in a target company made during a 12-month period to be consolidated to qualify for the M&A tax benefits. The 12-month period must end on the share acquisition date on which the 50% or 75% shareholding threshold is met, or the date of a subsequent acquisition that is conducted within the same basis period (i.e. the "12-month look-back period").	The existing 75% shareholding eligibility tier will be removed. Therefore, the M&A Scheme will no longer apply to acquisitions if the acquiring company's original shareholding was more than 50% initially. c) "12-month look-back period" for step acquisitions that straddle across FYs The "12-month look-back period" will be removed.
Enhancing the Double Tax Deduction ("DTD") for Internationalisation scheme	Qualifying manpower expenses incurred from 1 July 2015 to 31 March 2020 *IE to release further details by May 2015.*	Businesses may claim up to 200% tax deduction on qualifying expenditure incurred on qualifying market expansion and investment development activities, subject to conditions.	The scope of qualifying expenditure of the DTD scheme will be enhanced to include qualifying manpower expenses incurred for Singaporeans posted to new overseas entities, up to S$1 million per approved entity per year, subject to conditions.

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Enhancing the Double Tax Deduction ("DTD") for Internationalisation scheme			Businesses will have to seek approval from IE Singapore to enjoy the enhanced tax deduction on qualifying manpower expenses.
Introduction of the International Growth Scheme ("IGS")	1 April 2015 to 31 March 2020. *IE to release further details by May 2015.*	Nil	The IGS (administered by IE) aims to support high potential companies in their growth overseas, while continuing to anchor their key functions in Singapore. Such companies are expected to engage in internationalization activities and provide opportunities for Singaporeans to gain greater international exposure. A concessionary tax rate of 10% will be given to qualifying Singapore companies for a period not exceeding five years on their incremental income from qualifying activities.
Refinement of tax incentives for venture capital funds and venture capital fund management companies	<u>Approved venture capital fund management companies</u> Approval window takes effect from 1 April 2015 to 31 March 2020.	Tax exemption under Section 13H of the ITA ("Income Tax Act") may be granted to approved capital funds on the following income: a) Gains arising from the divestment of approved portfolio holdings; b) Dividend income from approved foreign portfolio companies; and c) Interest income arising from approved foreign convertible loan stock.	A 5% concessionary tax rate will be accorded to approved venture capital fund management companies managing Section 13H funds on specified income.

HIGHLIGHTS OF TAX CHANGES FOR CORPORATE

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Refinement of tax incentives for venture capital funds and venture capital fund management companies	<u>Pioneer Service incentive for venture capital fund management companies</u> Withdrawn starting from 1 April 2015 (Pioneer certificates already issued will not be affected by this change).	Fund management companies managing Section 13H funds may also be granted tax exemption under the Pioneer Service incentive on the following income: a) Management fees derived from an approved venture capital fund; and b) Performance bonus received from the said approved venture capital fund.	The Pioneer Service incentive for venture capital fund management companies will be withdrawn accordingly since venture capital is no longer a pioneering activity in Singapore. A review date of 31 March 2020 will be legislated for Section 13H to ensure that the relevance of the scheme is periodically reviewed.
Extending the Investment Allowance – Energy Efficiency ("IA-EE") schemes	Extended for 6 years till 31 March 2021 *EDB to release further details by March 2015.*	The IA- EE scheme and IA-EE for Green Data Centres scheme are awarded to businesses that incur capital expenditure in energy efficiency projects. Both schemes are scheduled to lapse after 31 March 2015.	Both schemes will be combined into one scheme known as the "Investment Allowance – Energy Efficiency scheme" and will be extended till 31 March 2021.

HIGHLIGHTS OF TAX CHANGES FOR CORPORATE

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Extension of Development and Expansion Incentive for International Legal Services (“DEI-Legal”) scheme	Extended for 5 more years till 31 March 2020	A 10% concessionary tax rate is granted on incremental income derived by approved law practices (incorporated as companies) from the provision of qualifying international legal services for five years. The incentive is scheduled to lapse after 31 March 2015.	The DEI-Legal scheme will be extended till 31 March 2020. Existing prescribed conditions of the scheme remain unchanged.
Introducing a review date for the Approved Foreign Loan (“AFL”)	Increase of minimum loan quantum *With effect from 24 February 2015*	Tax exemption or reduced tax rate may be granted on interest payments made to a non-tax resident for loans extended to a company to purchase productive equipment. To qualify as an AFL, businesses have to submit applications to MTI and the loan amount must be at least S$200,000. For loan quantum less than S$200,000, the MTI has the discretion to approve the said application.	A review date of 31 December 2023 will be legislated for this scheme to ensure that the relevance of the scheme is periodically reviewed. The minimum loan quantum will be increased to S$20 million with effect from 24 February 2015. MTI may approve an application for a foreign loan of less than S$20 million.
Introducing a review date for Approved Royalties Incentive (“ARI”)	NA	Tax exemption or a concessionary tax rate may be granted on approved royalties, technical assistance fees or contributions to research and development costs made to a non-tax resident for providing cutting-edge technology and know-how to a company for the purpose of its substantive activities in Singapore.	A review date of December 31, 2023 will be legislated to ensure the relevance of the ARI is periodically reviewed.

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Introducing a review date for the Writing Down Allowance ("WDA") scheme on capital expenditure incurred on the acquisition of an indefeasible right to use ("IRU") of any international telecommunications submarine cable system under Section 19D of the ITA	NA	Businesses are allowed to claim WDA on capital expenditure incurred for the purchase of IRUs over the number of years for which the IRUs are acquired.	A review date of 31 December 2020 will be legislated for this scheme to ensure that the relevance of the scheme is periodically reviewed.
Improvement of the Enhanced-Tier Fund tax incentive scheme ("the Scheme")	Applications made with effect from 1 April 2015. *MAS to release further details by May 2015*	Tax exemption on specified income derived by approved fund vehicles from designated investment, subject to conditions (e.g. economic conditions such as minimum local business spending, minimum fund size). Master-feeder fund structures [excluding Special Purpose Vehicles ("SPVs") held by them] may apply for the Scheme and meet the economic conditions on a collective basis.	Existing concession for master-feeder fund structures will be enhanced to apply to SPVs held by the master fund, subject to conditions. Accordingly, master and feeder funds and SPVs within a master-feeder fund structure may apply for the Scheme and meet the economic conditions on a collective basis.

HIGHLIGHTS OF TAX CHANGES FOR CORPORATE

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Extending the tax concessions for listed Real Estate Investment Trusts ("REITs")	Income tax concessions Extended for 5 years till 31 March 2020 *MAS to release further details by May 2015.*	a) Income tax concessions Listed REITs enjoy the following tax concessions which are scheduled to lapse on 31 March 2015: - Concessionary income tax rate of 10% for non-tax-resident non-individual investors; - Tax exemption on qualifying foreign-sourced income (i.e. foreign-sourced dividend income, interest income, trust distributions and branch profits) for listed REITs and wholly-owned Singapore tax resident subsidiary companies of listed REITs, subject to conditions.	The income tax concessions will be extended till 31 March 2020. The tax exemption on qualifying foreign-sourced income will apply provided that the overseas property is acquired by the REIT or its wholly-owned Singapore tax resident subsidiary company on or before 31 March 2020.
	Stamp duty concessions To lapse after 31 March 2015	b) Stamp duty concessions Listed REITs can enjoy stamp duty remission on the transfer of a Singapore immovable property to a REIT and on the transfer of 100% of the issued share capital of a Singapore-incorporated company that holds immovable properties situated outside Singapore, to the REIT.	The stamp duty concessions will lapse after 31 March 2015.

<table>
<tr><th>PROPOSED CHANGE</th><th>EFFECTIVE DATE /DURATION</th><th>CURRENT TREATMENT</th><th>NEW TREATMENT</th></tr>
<tr>
<td>Extending and enhancing the Maritime Sector Incentive (“MSI”)</td>
<td><u>Enhancements</u>

With effect from 24 February 2015 for existing and new award recipients.

Approval window to award MSI-AIS for qualifying entry players, MSI-ML (Ship), MSI-ML (Container) <u>and MSI-SSS</u>

Extended till 31 May 2021.

Withholding tax <u>exemption</u>

Will be extended to qualifying payments made on qualifying loans taken on or before 31 May 2021.

MPA to release further details by May 2015.</td>
<td>Under the MSI, ship operators, maritime lessors and providers of certain shipping-related support services can enjoy tax benefits summarised in the table below:

<table>
<tr><th>For ship operators</th></tr>
<tr><td>a) MSI-Shipping Enterprise (Singapore Registry of Ships) (“MSI-SRS”)
Tax exemption on qualifying income derived mainly from operating Singapore-flagged ships</td></tr>
<tr><td>b) MSI-Approved International Shipping Enterprise (“MSI-AIS”) Award
Tax exemption on qualifying income derived from operating foreign-flagged ships</td></tr>
<tr><th>For maritime lessors</th></tr>
<tr><td>c) MSI-Maritime Leasing (Ship) (“MSI-ML(Ship)”) Award
Tax exemption on qualifying income derived from leasing ships, and 10% concessionary tax rate on qualifying income derived from managing an approved shipping investment enterprise</td></tr>
</table>
</td>
<td>The MSI will be enhanced as follows:

a) The automatic WHT exemption regime will now cover finance leases, hire-purchase arrangements, and loans used to finance equity injection into wholly-owned SPVs or intercompany loans to wholly-owned SPVs for the SPVs’ purchase / construction of vessels, containers and intermodal equipment;

b) The definition of qualifying ship management activities for the purpose of the MSI-SRS, MSI-AIS award and MSI-SSS award will be updated;

c) The MSI-SRS and MSI-AIS award will now cover mobilisation fees, demobilisation fees, holding fees, and incidental container rental income that are derived in the course of qualifying shipping operations;

d) Qualifying profits remitted from approved foreign branches by MSI-AIS entities will now enjoy exemption;</td>
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</table>

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Extending and enhancing the Maritime Sector Incentive (“MSI”)		**For maritime lessors** **d) MSI-ML (Container) Award** 10% or 5% concessionary tax rate on qualifying income derived from leasing of qualifying sea containers and intermodal equipment that is incidental to the leasing of qualifying sea containers, and 10% concessionary tax rate on qualifying income derived from managing an approved container investment enterprise **For providers of certain shipping-related support services** **e) MSI-Shipping-related Support Services (“MSI-SSS”) Award** 10% concessionary tax rate on incremental qualifying income derived from carrying out approved shipping-related support services In addition, withholding tax (“WHT”) exemption is automatically granted on qualifying payments made by qualifying MSI recipients to non-tax-residents (excluding a permanent establishment in Singapore) in respect of qualifying loans entered into on or before 31 May 2016 to finance the construction or purchase of qualifying assets (e.g. ships, containers), subject to conditions.	e) Existing MSI-SSS award recipients can renew their award tenure for another five years, subject to qualifying conditions and higher economic commitments; and f) The MSI-ML award will now cover income derived from finance leases treated as sale.

HIGHLIGHTS OF TAX CHANGES FOR CORPORATE

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Extending and enhancing the Maritime Sector Incentive ("MSI")		The approval window to award MSI-AIS for qualifying entry players, MSI-ML(Ship), MSI-ML(Container) and MSI-SSS ends on 31 May 2016.	
Withdrawal of concessionary tax rate on income from offshore leasing of machinery and plant under Section 43I of ITA	Withdrawn from 1 January 2016	10% concessionary tax rate is granted on offshore leasing income derived by a leasing company.	The tax concession will be withdrawn from 1 January 2016. Thereafter, the relevant offshore leasing income will be subject to tax at the prevailing corporate tax rate.
Withdrawing the Approved Headquarters incentive under Section 43E of the ITA	Withdrawn from 1 October 2015	Businesses can enjoy tax exemption or a concessionary tax rate of 10% on the following income: a) Income derived from the provision of qualifying headquarter services to qualifying network companies; or b) Income derived from Qualifying treasury, investment or financial activities.	The Approved Headquarters incentive will be withdrawn from 1 October 2015. Companies performing qualifying headquarters activities or services in Singapore to network companies may qualify for the Development and Expansion Incentive, subject to meeting of conditions.
Tax deduction for donations	1 January 2015 / 1 January 2016 to 31 December 2018	A 250% tax deduction is given to donors who made qualifying donations to Institutions of a Public Character ("IPCs") and other qualifying recipients (such as approved museums, prescribed educational institutions).	The tax deduction is increased to 300% as part of the SG50 jubilee celebration for qualifying donations made for the period 1 January 2015 to 31December 2015. The tax deduction will revert to 250% from 1 January 2016 to 31 December 2018.

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Increased CPF contribution rates for all workers	1 January 2016	The CPF contribution rate are as follows:	The increased CPF contribution rate set out below is to help Singaporeans to save more:

Current treatment:

Age (Years)	CPF contribution Rate (for monthly wages exceeding S$750)		
	By Employer	By Employee	Total
50 and below	17.0%	20.0%	37.0%
Above 50 to 55	16.0%	19.0%	35.0%
Above 55 to 60	12.0%	13.0%	25.0%
Above 60 to 65	8.5%	7.5%	16.0%
Above 65	7.5%	5.0%	12.5%

New treatment:

Age (Years)	CPF contribution Rate (for monthly wages exceeding S$750)		
	By Employer	By Employee	Total
50 and below	17.0%	20.0%	37.0%
Above 50 to 55	17.0% (+1)	20.0% (+1)	37.0%
Above 55 to 60	13.0% (+1)	13.0%	26.0%
Above 60 to 65	9.0% (+0.5)	7.5%	16.5%
Above 65	7.5%	5.0%	12.5%

The increase in employer contribution rates will be allocated to the Special Account and the increase in employee contribution rates will be allocated to the Ordinary Account.

The existing limits on tax deduction for employers' statutory CPF contributions and tax relief for employees' CPF contributions will be raised accordingly.

HIGHLIGHTS OF TAX CHANGES FOR CORPORATE

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<tr><th>PROPOSED CHANGE</th><th>EFFECTIVE DATE /DURATION</th><th>CURRENT TREATMENT</th><th>NEW TREATMENT</th></tr>
<tr><td>Increased CPF salary ceiling</td><td>1 January 2016</td><td>The Ordinary/Additional Wage Ceiling are as follows:
<table><tr><th>Ordinary Wage (OW) Ceiling</th><th>Additional Wage Ceiling</th></tr><tr><td>S$5,000</td><td>S$85,000 less
Total OW subject to CPF</td></tr></table></td><td>The Ordinary/Additional Wage Ceiling are as follows:
<table><tr><th>Ordinary Wage (OW) Ceiling</th><th>Additional Wage Ceiling</th></tr><tr><td>S$6,000</td><td>S$102,000 less
Total OW subject to CPF</td></tr></table></td></tr>
<tr><td>Simplifying pre-registration GST claim rules for GST-registered businesses</td><td>For businesses that are GST-registered from 1 July 2015

IRAS will release further details of the change by June 2015.</td><td>GST incurred on purchases of goods and services prior to GST registration is referred to as pre-registration GST. In general, GST-registered businesses can only claim pre-registration GST on the portion of goods and services used or to be used to make taxable supplies after GST registration.

Where goods and services are used to make supplies straddling GST registration (i.e. supplies before and after GST registration), or where goods are partially consumed before GST registration, businesses are required to apportion the pre-registration GST on these goods and services and can only claim the portion attributable to taxable supplies made after GST registration.</td><td>To ease compliance, the claiming of pre-registration GST will be simplified to allow a newly GST-registered business to claim pre-registration GST in full on the following goods and services that are acquired within six months before the GST registration date of the business:

• Goods held by the business at the point of GST registration; and

• Property rental, utilities and services, which are not directly attributable to any supply made by the business before GST registration.</td></tr>
</table>

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Simplifying pre-registration GST claim rules for GST-registered businesses			Thus, businesses no longer have to apportion the pre-registration GST on the above goods and services even if these goods and services have been used to make supplies straddling GST registration or these goods have been partially consumed before GST registration. This is provided the use of these goods and services after GST registration is for the making of taxable supplies and not exempt supplies. For other purchases of goods and services prior to GST registration, including those acquired more than six months before the GST registration date of the business, existing pre-registration GST claim rules will apply.
Extending and enhancing the GST remission for listed REITs, and listed Registered Business Trusts ("RBTs") in the infrastructure business, ship leasing and aircraft leasing sectors	Enhancement to the GST remission will take effect for GST incurred from 1 April 2015 to 31 March 2020. *IRAS will release further details by March 2015.*	GST remission is granted to listed REITs and listed RBTs in the infrastructure business, ship leasing and aircraft leasing sectors, to allow them to claim GST on their business expenses regardless of whether they hold underlying assets directly or indirectly through multi-tiered structures such as special purpose vehicles ("SPVs") or sub-trusts. The GST remission is scheduled to lapse after 31 March 2015.	The existing GST remission will be extended till 31 March 2020 to continue facilitating the listing of REITs and RBTs in the infrastructure business, ship leasing and aircraft leasing sectors.

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Extending and enhancing the GST remission for listed REITs, and listed Registered Business Trusts ("RBTs") in the infrastructure business, ship leasing and aircraft leasing sectors		REITs and RBTs qualifying under the GST remission are however not allowed to claim GST on costs to set up SPVs that do not hold qualifying assets of the REITs or RBTs, directly or indirectly. The GST on the business expenses of such SPVs is also not claimable. Qualifying assets are assets that are used to make taxable supplies or out-of-scope supplies that would have been taxable supplies if made in Singapore.	In addition, to facilitate fundraising by these REITs and RBTs through SPVs, REITs and RBTs qualifying under the current GST remission will be allowed to claim GST on business expenses incurred to set up SPVs that are used solely to raise funds for the REITs or RBTs, and which do not hold qualifying assets of the REITs or RBTs, directly or indirectly. These REITs and RBTs will also be allowed to claim GST on the business expenses of such SPVs.

HIGHLIGHTS OF TAX CHANGES FOR INDIVIDUALS

Key:

CPF – Central Provident Fund
IRAS – Inland Revenue Authority of Singapore
YA – Year of Assessment ie tax year. Income is taxed on a preceding year basis eg income earned in calender year ending 31 December 2014 is subject to tax in YA 2015.

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Change in income tax rates for resident individuals	YA 2017	The current income tax rates for individuals are as follows:	The changes will affect individual taxpayers with annual chargeable income of more than S$160,000. The top marginal tax rate will increase from 20% to 22%. The tax rates affected are shaded.

Current treatment:

	Chargeable income (S$)	Tax rate (%)	Tax payable
First	20,000	0%	-
Next	10,000	2%	200
First	30,000	-	200
Next	10,000	3.5%	350
First	40,000	-	550
Next	40,000	7%	2,800
First	80,000	-	3,350
Next	40,000	11.5%	4,600
First	120,000	-	7,950
Next	40,000	15%	6,000
First	160,000	-	13,950
Next	40,000	17%	6,800
First	200,000	-	20,750
Next	120,000	18%	21,600
First	320,000	-	42,350
Excess of	320,000	20%	

New treatment:

	Chargeable income (S$)	Tax rate (%)	Tax payable
First	20,000	0%	-
Next	10,000	2%	200
First	30,000	-	200
Next	10,000	3.5%	350
First	40,000	-	550
Next	40,000	7%	2,800
First	80,000	-	3,350
Next	40,000	11.5%	4,600
First	120,000	-	7,950
Next	40,000	15%	6,000
First	160,000	-	13,950
Next	40,000	18%	7,200
First	200,000	-	21,150
Next	40,000	19%	7,600
First	240,000	-	28,750
Next	40,000	19.5%	7,800
First	280,000	-	36,550
Next	40,000	20%	8,000
First	320,000	-	44,550
Excess of	320,000	22%	

HIGHLIGHTS OF TAX CHANGES FOR INDIVIDUALS

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
One-off tax rebate for resident individuals	YA 2015	NA	A one-off rebate of 50% (capped at S$1,000) will be granted for all resident individuals for YA 2015.
Individual taxpayers can claim a specified amount of expenses against their passive rental income derived from residential properties in Singapore	YA 2016 *IRAS to release more details of changes by end May 2015*	Currently, the net rental income after deductions for allowable expenses in respect of residential property is taxable. To substantiate the claim for the deduction of expenses, individual taxpayers are required to keep the documentary evidence for a period of at least five years from the YA to which the claims relate	To simplify tax filing and also to reduce the burden of record keeping, the individual may opt to claim the rental expenses (excluding mortgage interest) based on 15% of the gross rental income derived from the residential property as follows: S$ Gross rental income: AAA Less: Mortgage interest (actual): BBB Other expenses (deemed to be 15% of AAA): CCC Net rental income: DDD The above new treatment is not applicable to rental income derived by an individual through a partnership in Singapore or from a trust property.

HIGHLIGHTS OF TAX CHANGES FOR INDIVIDUALS

PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Foreign Maid Levy (FML) Relief	YA 2016 The changes in the levy take effect from May 2015	Resident female individual taxpayers may claim FML relief as follows: **Current relief** S$6,360 (S$265 per month x 12 months x 2), or S$2,880 [(S$120# per month x 12 months x 2] # Foreign Domestic Worker Levy concession for care of elderly or children below age of 12.	Resident female individual taxpayers may claim FML relief as follows: **New relief** S$6,360 (S$265 per month x 12 months x 2), or S$1,920 [(S$120# per month x 4 months) + (S$60# per month x 8 months)] x 2 # Foreign Domestic Worker Levy concession for care of elderly or children below age of 16.
Tax deduction for donations	1 January 2015 / 1 January 2016 to 31 December 2018	A 250% tax deduction is given to donors who made qualifying donations to Institutions of a Public Character (“IPCs”) and other qualifying recipients (such as approved museums, prescribed educational institutions).	The tax deduction is increased to 300% as part of the SG50 jubilee celebration for qualifying donations made for the period 1 January 2015 to 31December 2015. The tax deduction will revert to 250% from 1 January 2016 to 31 December 2018.

HIGHLIGHTS OF TAX CHANGES FOR INDIVIDUALS

<table>
<tr><th>PROPOSED CHANGE</th><th>EFFECTIVE DATE /DURATION</th><th>CURRENT TREATMENT</th><th>NEW TREATMENT</th></tr>
<tr><td>Increased CPF contribution rates for all workers</td><td>1 January 2016</td><td>The CPF contribution rate are as follows:

<table>
<tr><th rowspan="2">Age (Years)</th><th colspan="3">CPF contribution Rate (for monthly wages exceeding S$750)</th></tr>
<tr><th>By Employer</th><th>By Employee</th><th>Total</th></tr>
<tr><td>50 and below</td><td>17.0%</td><td>20.0%</td><td>37.0%</td></tr>
<tr><td>Above 50 to 55</td><td>16.0%</td><td>19.0%</td><td>35.0%</td></tr>
<tr><td>Above 55 to 60</td><td>12.0%</td><td>13.0%</td><td>25.0%</td></tr>
<tr><td>Above 60 to 65</td><td>8.5%</td><td>7.5%</td><td>16.0%</td></tr>
<tr><td>Above 65</td><td>7.5%</td><td>5.0%</td><td>12.5%</td></tr>
</table>
</td><td>The increased CPF contribution rate set out below is to help Singaporeans to save more:

<table>
<tr><th rowspan="2">Age (Years)</th><th colspan="3">CPF contribution Rate (for monthly wages exceeding S$750)</th></tr>
<tr><th>By Employer</th><th>By Employee</th><th>Total</th></tr>
<tr><td>50 and below</td><td>17.0%</td><td>20.0%</td><td>37.0%</td></tr>
<tr><td>Above 50 to 55</td><td>17.0% (+1)</td><td>20.0% (+1)</td><td>37.0%</td></tr>
<tr><td>Above 55 to 60</td><td>13.0% (+1)</td><td>13.0%</td><td>26.0%</td></tr>
<tr><td>Above 60 to 65</td><td>9.0% (+0.5)</td><td>7.5%</td><td>16.5%</td></tr>
<tr><td>Above 65</td><td>7.5%</td><td>5.0%</td><td>12.5%</td></tr>
</table>

The increase in employer contribution rates will be allocated to the Special Account and the increase in employee contribution rates will be allocated to the Ordinary Account.

The existing limits on tax deduction for employers' statutory CPF contributions and tax relief for employees' CPF contributions will be raised accordingly.</td></tr>
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<table>
<tr><th>PROPOSED CHANGE</th><th>EFFECTIVE DATE /DURATION</th><th>CURRENT TREATMENT</th><th>NEW TREATMENT</th></tr>
<tr><td>Increased CPF salary ceiling</td><td>1 January 2016</td><td>The Ordinary/Additional Wage Ceiling are as follows:
<table><tr><th>Ordinary Wage (OW) Ceiling</th><th>Additional Wage Ceiling</th></tr><tr><td>S$5,000</td><td>S$85,000 less Total OW subject to CPF</td></tr></table></td><td>The Ordinary/Additional Wage Ceiling are as follows:
<table><tr><th>Ordinary Wage (OW) Ceiling</th><th>Additional Wage Ceiling</th></tr><tr><td>S$6,000</td><td>S$102,000 less Total OW subject to CPF</td></tr></table></td></tr>
<tr><td>Annual contribution cap for the Supplementary Retirement Scheme</td><td>1 January 2016</td><td>The annual contribution cap for the Supplementary Retirement Scheme for Singaporean / Singapore Permanent Residents and Foreigners for year 2014 are as follows:
<table><tr><th>Singaporean/Singapore Permanent Resident</th><th>Foreigner</th></tr><tr><td>S$12,750</td><td>S$29,750</td></tr></table></td><td>The annual contribution cap for the Supplementary Retirement Scheme will be as follows so as to align with the increase in the CPF salary ceiling:
<table><tr><th>Singaporean/Singapore Permanent Resident</th><th>Foreigner</th></tr><tr><td>S$15,300</td><td>S$35,700</td></tr></table></td></tr>
<tr><td>Tax exemption for non-resident mediators</td><td>1 April 1 2015 to 31 March 2020

The Ministry of Law will provide more details by March 2015</td><td>A payer is required to withhold tax of 15% on the gross income from a non-tax-professional, or 20% on net income if the non-tax-resident professional elects to be taxed on net income. It applies to non-tax-resident mediators deriving income from mediation work carried out in Singapore</td><td>To promote Singapore’s commercial mediation sector, income derived by a non-tax-resident mediator for mediation work carried out in Singapore will be exempt from tax.</td></tr>
<tr><td>Tax exemption for non-resident arbitrators</td><td>Will be reviewed on 31 March 2020</td><td>Non-tax-resident arbitrators are exempted from tax on income derived on or after 3 May 2002 from arbitration work carried out in Singapore.</td><td>A review will be done on 31 March 2020 to ensure the relevance of this tax exemption.</td></tr>
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PROPOSED CHANGE	EFFECTIVE DATE /DURATION	CURRENT TREATMENT	NEW TREATMENT
Tax concession on royalties and other payments from approved intellectual property or innovation	Withdraw from YA 2017	Unless the royalty qualifies for tax concession, the gross amount of royalty after the allowable deductions is subject to tax. To qualify for the tax concession, the royalty must be received for : • any literary dramatic, musical or artistic work, or • approved intellectual property or approved innovation. This concession also applies to any company in which such an individual beneficially owns all the issued shares. The above income derived by such an individual or such company will be taxed on the lower of : • amount of royalties after allowable deductions; or • 10% of the gross royalties.	Net royalties are taxable in the year it is due and payable.
Extending and enhancing the Angel Investors Tax Deduction (“AITD”) scheme	Extended for 5 years till 31 March 2020 <u>Enhancement</u> New qualifying investments made from 24 February 2015 to 31 March 2020	An approved angel investor needs to invest at least S$100,000 into a qualifying start-up in a YA and hold the qualifying investment for a continuous period of two years, in order to enjoy a tax deduction at 50% of his investment (capped at S$500,000 of investment) at the end of his second year of holding the investment. AITD applies to qualifying investments made during the validity period from 1 March 2010 to 31 March 2015.	The AITD scheme will be extended till 31 March 2020. The scheme will be enhanced to include new qualifying investments that are co-funded by the Government under SEEDS or BAS. This enhancement applies to new qualifying investments made from 24 February 2015 to 31 March 2020. All other conditions of the scheme remain the same.