

CLIENT MEMORANDUM

February 20, 2017

SINGAPORE BUDGET 2017

The Singapore Budget was delivered on February 20, 2017. A summary of the main tax changes are highlighted below.

Corporate Income Tax (“CIT”)

1. The cap on the CIT rebate for the Year of Assessment (“YA”) 2017 which is currently at S\$20,000 will be increased to S\$ 25,000 (with the rebate rate unchanged at 50%). The rebate will also be extended to YA 2018 at a reduced rate of 20%, capped at S\$10,000. The Inland Revenue Authority of Singapore (“IRAS”) informed that the updated CIT tax rebate will be reflected for the estimated chargeable income (“ECI”) e-filed after February 24, 2017. For companies that have e-filed the ECI, the revised Notice of Assessment (“NOA”) will be issued by IRAS by May 2017.
2. The withholding tax (“WHT”) exemption scheme on payments to non-resident non-individuals for structured products offered by Financial Institutions will be extended to March 31, 2021.
3. A new Intellectual Property (“IP”) Regime: IP Development Incentive (“IDI”) will be introduced to encourage the exploitation of IP arising from research & development (“R&D”) activities of the taxpayer. The IDI supersedes the existing regime offered on qualifying IP income under the Pioneer-Services / Headquarters Incentive and the Development and Expansion Incentive – Services / Headquarters, and will take effect from July 1, 2017. The IDI will be administered by Singapore Economic Development Board (“EDB”) which will release further details by May 2017.
4. Tax deduction for Computer Donation Scheme will be withdrawn after February 20, 2017.
5. The one-year Accelerated Depreciation Allowance for Energy Efficient Equipment and Technology Scheme under Section 19A(6) of the Income Tax Act (“ITA”) will be withdrawn after December 31, 2017.

6. The accelerated Writing-Down Allowances (“WDA”) for acquisition of Intellectual Property Rights (“IPRs”) for Media and Digital Entertainment (“MDE”) content will be allowed to lapse in respect of IPRs acquired after the basis period for YA 2018.

Meanwhile, MDE companies and partnerships can continue to claim WDA on qualifying IPRs over a period of 5, 10 or 15 years.

7. The International Arbitration Tax Incentive will be allowed to lapse after June 30, 2017.
8. A safe harbor rule for payments under Cost Sharing Agreements (“CSAs”) for R&D projects will be introduced, starting from February 21, 2017. With this, taxpayers may elect to claim tax deduction for 75% of qualifying R&D expenditure made under a CSA instead of providing a breakdown of those R&D expenditure.

IRAS will release further details by May 2017.

9. The existing Aircraft Leasing Scheme will be extended to December 31, 2022 and refined as follows:
 - a. The scope of the qualifying income under Section 43Y of the ITA will be enhanced to include incidental income derived on or after February 21, 2017 from the provision of finance in acquisition of aircraft/aircraft engines by lessee;
 - b. A single concessionary tax rate of 8% on income derived from leasing of aircraft or aircraft engines and qualifying ancillary activities will apply to new or renewal incentive awards approved on or after April 1, 2017; and
 - c. Automatic WHT exemption regime will be extended to qualifying loans entered into on or before December 31, 2022.

EDB will release further details by May 2017.

10. The Integrated Investment Allowance scheme will be extended to December 31, 2022 and liberalised to include qualifying productive equipment used by overseas company primarily to manufacture products under an approved project, starting from February 21, 2017.

Tax incentives

11. The Finance and Treasury Centre (“FTC”) Scheme will be refined by streamlining the qualifying counterparties for certain transactions of approved FTCs. The change will apply to new or renewal incentive awards approved on or after February 21, 2017. EDB will release further details by May 2017.
12. The Global Trader Programme (“GTP”) will be enhanced effective February 21, 2017 as follows:
 - a. The requirement for qualifying transactions to be carried out with qualifying counterparties will be removed and concessionary tax rate will be granted to approved global trading companies on income derived from qualifying transactions with any counterparty;

- b. Concessionary tax rate will be granted to approved global trading 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;
- c. Concessionary tax rate will be granted to approved global trading companies on physical trading income 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); and
- d. The substantive requirement to qualify for the GTP will be increased.

International Enterprise Singapore will release further details by May 2017.

Individual Income Tax

- 13. A one-off Personal Income Tax Rebate of 20% of tax payable, capped at S\$500, will be granted to tax residents for YA 2017. As in prior years, the IRAS will need time to adjust their system so that taxpayers who are leavers (ie, filed Form IR21) and have obtained tax clearance, will receive their refund in due course. For taxpayers who have been issued with NOA where tax (before the rebate) is due but has not been paid, IRAS has indicated that tax should still be paid in accordance with the NOA and a refund will be given in due course.

Property Tax

- 14. The Approved Building Project scheme will be allowed to lapse after March 31, 2017. Thereafter, property tax exemption will no longer be granted for land under development.

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 and call us on:

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