CLIENT MEMORANDUM

February 19, 2019

SINGAPORE BUDGET 2019

The Singapore Budget was delivered yesterday. A summary of the main tax changes are highlighted below:

Corporate Income Tax – Tax Incentives

Businesses

1. Company can claim Writing Down Allowance ("WDA") under Section 19B of the Income Tax Act ("ITA") for the acquisition of qualifying Intellectual Property Rights ("IPRs") over five, ten or fifteen years. The WDA will be extended to cover capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for YA 2025.

2. The 100% Investment Allowance under the Automation Support Package to support companies in their automation, productivity and scale-up efforts, will be extended by two years, for projects approved by Enterprise Singapore from April 1, 2019 to March 31, 2021.

   The approved capital expenditure will remain capped at $10 million per project.

Financial Sector

3. Singapore-listed Real Estate Investment Trusts ("S-REITs") are accorded tax transparency treatment if their trustees distribute at least 90% of their taxable income to unitholders in the same year in which the income is derived by the trustee.

   Subject to conditions, the following existing income tax concessions for S-REITs will be extended till December 31, 2025:

   a. Tax exemption on S-REITs distributions received by individuals, excluding individuals who derive any distribution: (i) through a partnership in Singapore; or (ii) from the carrying on of a trade, business or profession;

   b. Concessionary income tax rate of 10% for S-REITs distributions received by non-resident non-individual investors; and

c. Tax exemption on qualifying foreign-sourced dividend income, interest income, trust distributions and branch profits received by S-REITs and wholly-owned Singapore resident subsidiary companies of S-REITs, that is paid out of qualifying income or gains in respect of overseas property acquired on or before March 31, 2020 by the trustee of the S-REITs or its wholly-owned Singapore resident subsidiary company.

As the sunset clause for tax exemption on S-REITs distributions received by individuals will be removed, we expect this to be effective from January 1, 2026 ie, after expiry of the above concession.

MAS will release further details by May 2019.

4. Budget 2018 announced the extension of the following income tax concessions for S-REITs to Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds ("REITs ETFs"), effective July 1, 2018 with a review date of March 31, 2020, subject to conditions:

a. Tax transparency treatment on the distributions received by REITs ETFs from S-REITs which are made out of the latter's specified income;

b. Tax exemption on such REITs ETFs distributions received by individuals, excluding individuals who derive any distribution:

i) through a partnership in Singapore; or
ii) from the carrying on of a trade, business or profession; and

c. 10% concessionary tax rate on such REITs ETFs distributions received by qualifying non-resident non-individuals.

The above concessions will be extended till December 31, 2025. As the sunset clause for tax exemption on S-REITs distributions received by individuals will be removed, we expect this to be effective from January 1, 2026 ie, after expiry of the above concession.

MAS will release further details by May 2019.

5. The following existing tax concessions for qualifying funds managed by Singapore-based fund managers [i.e. basic tier funds (sections 13CA and 13R schemes) and enhanced tier funds (section 13X scheme)] will be extended till December 31, 2024, subject to conditions:

A. Tax exemption on specified income ("SI") derived from designated investments ("DI"); and

B. Withholding tax exemption on interest and other qualifying payments made to non-resident persons (excluding permanent establishments in Singapore).

Further, the following refinements in sections 13CA, 13R and 13X schemes will be made to keep them relevant and to ease compliance burden:

a. Removal of the condition that a basic tier fund must not have 100% of the value of its issued securities beneficially owned (directly or indirectly) by Singapore persons;

b. Enhancement of the enhanced tier fund scheme to (i) include co-investments, non-company special purpose vehicles ("SPVs") and more than two tiers of SPVs; (ii) allow debt and credit funds to access the "committed capital concession"; and (iii) include managed accounts;

c. Expansion of the list of DI by removing the counter-party and currency restrictions, and including investments such as credit facilities and advances, and Islamic financial products that are commercial equivalents of DI. The condition for unit trusts to wholly invest in DI will be removed;

d. Enhancement of the list of SI to include income in the form of payments that fall within the ambit of section 12(6) of the ITA ie, interest, commission, fee or payments in connection with any loan or indebtedness; and

e. Availability of the 10% concessionary rate to qualifying non-resident funds under sections 13CA and 13X when investing in S-REITs and REITs ETFs.

The above refinements (a) as well as (b) to (d) shall take effect from the YA 2020 and February 19, 2019 respectively. Refinement (e) shall apply to S-REITs and REITs ETFs distributions made during the period from July 1, 2019 to December 31, 2025.

MAS will release further details by May 2019.

6. The Designated Unit Trust scheme will lapse after March 31, 2019 and the Approved Unit Trust scheme will lapse after February 18, 2019. Funds in the form of unit trusts may apply for other tax incentives for funds.

Goods and Services Tax ("GST")

1. Extension of GST remission

a. S-REITs and Singapore-listed Registered Business Trusts ("S-RBTs")

GST remission granted to S-REITs and S-RBTs in the infrastructure business, ship leasing and aircraft leasing sectors to allow them to claim GST on certain expenses incurred for their business and their SPVs, subject to conditions, will be extended to December 31, 2025.

MAS will release further details by May 2019.

b. Qualifying Funds

GST remission granted to "Qualifying Funds" that are managed by prescribed fund managers in Singapore to allow them to claim GST incurred on expenses at a fixed recovery rate will be extended to December 31, 2024.

MAS will release further details by May 2019.

2. **Tightening of GST import relief for travellers**

GST import relief for certain travellers arriving in Singapore are reduced as follows:

Time spent outside Singapore	Value of goods granted GST relief (previously)	Value of goods granted GST relief (from February 19, 2019)
48 hours and above	S$600	S$500
Less than 48 hours	S$150	S$100

Individual Income Tax

1. A one-off Personal Income Tax Rebate of 50% of tax payable, capped at S$200, will be granted to tax residents for YA 2019. As in prior years, the Inland Revenue Authority of Singapore ("IRAS") will need time to adjust their system so that taxpayers who are leavers (i.e., filed Form IR21) and have obtained tax clearance, will receive their refund in due course. For taxpayers who have been issued with Notice of Assessment ("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.

2. The Not-Ordinarily-Resident ("NOR") scheme was introduced in Budget 2002 with the objective of attracting talent with regional and global responsibilities to relocate to Singapore. Under the NOR scheme, qualifying individuals granted NOR status for a five year period, may subject to conditions, claim time-apportionment of remuneration based on days spent in Singapore, subject to a minimum effective tax of 10%; and tax exemption of employer's contribution to a non-mandatory overseas pension or provident fund.

   The NOR scheme will lapse after YA 2020. The last such NOR status will be granted for YA 2020 and expire in YA 2024. Individuals who have been accorded the NOR status will enjoy the NOR tax concessions until their NOR status expires, if they continue to meet the prescribed conditions.

3. Grandparent Caregiver Relief ("GCR") of up to S$3,000 can be claimed by working mothers who engage the help of their parents, grandparents, parents-in-law or grandparents-in-laws (including those of ex-spouses) to take care of their children. To provide greater support and recognition to working mothers with handicapped and unmarried dependent children, the working mothers are allowed to claim GCR in respect of a handicapped and unmarried dependent child regardless of the child's age, if they have met all other conditions. This will take effect from YA 2020.

Others - Diesel Taxes

The excise duty of S$0.10 per litre which is currently imposed on the diesel component of biodiesel will be increased to $0.20 per litre with effect from February 18, 2019.

To cushion the impact of the increase in diesel duty, three years of road tax rebates will be provided for diesel vehicles which include commercial diesel vehicles as follows:

Period	**Road tax rebate**
August 1, 2019 – July 31, 2020	100% (this will supersede the road tax rebate of 25% announced in Budget 2017)
August 1, 2020 – July 31, 2021	75%
August 1, 2021 – July 31, 2022	50%

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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