Singapore Budget 2018

Tax Services

Got a question?
Email us at
gc@gctaxservices.com

On 19 February 2018, Finance Minister Heng Swee Keat delivered the Singapore Budget 2018. The Lunar New Year mood felt by many was both festive and jittery on this 4th day of the lunar calendar, as we kept our ears open for Singapore's economic performance as well as the much-debated Goods and Services Tax ("GST") hike.

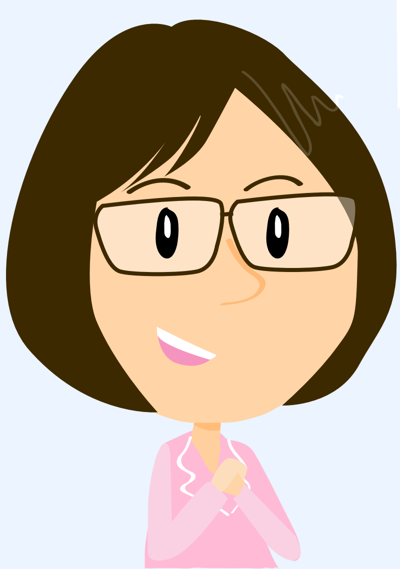
There appears to be a sigh of relief on grounds on hearing that the GST hike would be increased to 9% some time between 2021 and 2025 though Minister Heng had projected the hike to be "sooner than later in the period".

Singapore Budget 2018 is also packed with strategies emphasizing a longer-term view. For businesses, the theme on learning, re-learning, adapting and growth is not just relevant but sensible.

With this, we have put together a summary of the Tax changes and how it may impact you and your business. We hope you find this Budget update useful!

Wishing you a healthy and prosperous Lunar New Year! 恭喜发财，万事顺心！

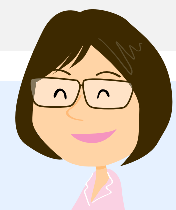
Best regards
Genevieve



Tax changes and how it may impact you and your business

1 Enhance and extend the corporate tax rebate

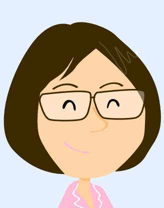
Item	Current Treatment	New Treatment
Corporate tax rebate	**YA 2018** The corporate tax rebate was 20% of tax payable, capped at $10,000.	**YA 2018** The corporate tax rebate will be enhanced to 40% of tax payable, capped at $15,000. **YA 2019** The corporate tax rebate will be extended to YA 2019, at a rate of 20% of tax payable, capped at $10,000.



Always a welcome move as tax rebates translate into savings which can be channelled to ease business cost and for reinvestment in the business.

2 Adjustments to the Start-Up Tax Exemption ("SUTE") scheme and Partial Tax Exemption ("PTE") scheme

Item	Current Treatment	New Treatment
SUTE	Qualifying new companies can claim, in each of the first 3 YAs:- • 100% exemption on the first $100,000 of normal chargeable income; and • 50% exemption on the next $200,000 of normal chargeable income.	Effective from YA 2020, the SUTE is adjusted as follows:- • 75% exemption on the first $100,000 of normal chargeable income; and • 50% exemption on the next $100,000 of normal chargeable income.
PTE	Qualifying companies can claim, in each YA:- • 75% exemption on the first $10,000 of normal chargeable income; and • 50% exemption on the next $290,000 of normal chargeable income.	Effective from YA 2020, the PTE is adjusted as follows:- • 75% exemption on the first $10,000 of normal chargeable income; and • 50% exemption on the next $190,000 of normal chargeable income.

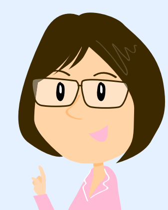


- The immediate impact on start-ups qualifying for SUTE is, on its first $100,000 of chargeable income, they no longer enjoy tax holidays for the entire first 3 YAs.
- For start-ups and smaller companies, where every dollar counts, future tax rebates or enhancements could be nullified by these adjustments to SUTE and PTE.
- That said, profitable Sole Proprietorships who are converting to a Pte Ltd entity for commercial reasons are still making a sensible move given that the incidental tax savings could be tangible.

3 Enhance the tax deduction for qualifying expenditure on qualifying R&D projects performed in Singapore

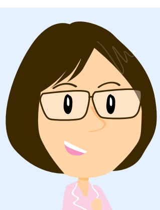
Item	Current Treatment	New Treatment
Qualifying R&D projects performed in Singapore	Businesses can claim qualifying expenditure on qualifying R&D projects performed in Singapore as follows:- a) 150% tax deduction for staff costs and consumables incurred; and b) 100% tax deduction for other qualifying expenditure.	From YA 2019 to YA 2025, the tax deduction for staff costs and consumables incurred on qualifying R&D projects performed in Singapore is increased from 150% to 250%. 100% tax deduction for other qualifying expenditure and all other conditions of the scheme remain unchanged.

- Businesses embarking on R&D projects in Singapore will enjoy tax benefits from this enhancement, given that the highly accessible Productivity and Innovation Credit ("PIC") scheme expired in YA 2018.
- In practice, the R&D claims process remains cumbersome and often involves businesses devoting huge investment of time and resources.



4 Enhance the tax deductions for related Intellectual Property ("IP") costs

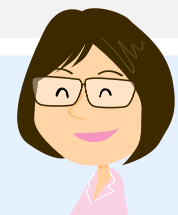
Item	Current Treatment	New Treatment
Costs on protecting IP	100% tax deduction on qualifying IP registration costs. The scheme is scheduled to lapse after YA 2020.	The scheme is extended till YA 2025. From YA 2019 to YA 2025, the tax deduction is increased to 200% for the first $100,000 of qualifying IP registration costs incurred per YA.
Costs on IP in-licensing	100% tax deduction on qualifying IP in-licensing costs.	From YA 2019 to YA 2025, the tax deduction is increased to 200% for the first $100,000 of qualifying IP in-licensing costs incurred per YA.



Both enhancements complement the vision to develop Singapore into Asia's IP Hub and to encourage businesses to continue using new solutions. Businesses will continue to enjoy tax benefits that could previously be granted under the PIC scheme, which expired in YA 2018.

5 Enhance the Double Tax Deduction for Internationalisation ("DTDi") scheme

Item	Current Treatment	New Treatment
DTDi	200% tax deduction on costs incurred on qualifying market expansion and investment development expenses, subject to approval from IE Singapore or STB. No prior approval is needed for tax deduction on the first $100,000 of qualifying expenses incurred on certain prescribed activities.	From YA 2019, the expenditure cap for claims without prior approval is increased from $100,000 to $150,000 per YA. Further details of the change will be released by IE Singapore and STB by April 2018.



Businesses participating in overseas business development trips and trade fairs often overlook claiming DTDi in their tax returns. The DTDi covers a wide range of qualifying activities and is worth exploring to capitalise on this handy tax tool.

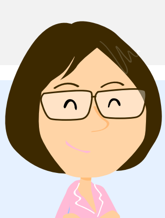
6 Extend the Business and IPC Partnership scheme ("BIPS")

Item	Current Treatment	New Treatment
BIPS	250% tax deduction on qualifying expenditure incurred from 1 July 2016 to 31 December 2018 in respect of:- a) Provision of services by a qualifying employee to an IPC; or b) Secondment of a qualifying employee to an IPC	The scheme is extended till 31 December 2021. The administrative process is currently under review and details of any change will be announced in the second half of 2018.

Businesses conducting corporate social responsibility initiatives can continue to enjoy this tax benefit – creating a win-win situation for both the corporation and the beneficiary IPC.

7 Extend the 250% Tax Deduction for Qualifying Donations

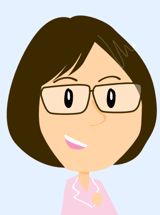
Item	Current Treatment	New Treatment
Qualifying donations	For both personal and corporate donors, a 250% tax deduction for qualifying donations made to IPCs and other qualifying recipients from 1 January 2016 to 31 December 2018.	The scheme is extended till 31 December 2021.



As we care for our business, we can include gestures (big or small) to contribute to our community. 3 cheers for promoting a spirit of giving and rewarding donors with additional tax deductions!

8 Introduce GST on imported services

Item	Current Treatment	New Treatment
GST on imported services	Currently, GST is not applicable on imported services provided by an overseas supplier which does not have an establishment in Singapore.	From 1 January 2020, GST on imported services shall be introduced. B2B imported services shall be taxed via a reverse charge mechanism where the local business customer is required to account for GST on the services it imports. B2C imported services shall be taxed through an Overseas Vendor Registration ("OVR") mode where overseas suppliers and electronic marketplace operators which make significant supplies of digital services to local customers are required to register with IRAS to account for GST. IRAS will release further details by the end of February 2018.



- On 20 February 2018, the IRAS has published Draft GST e-Tax Guides and is seeking the public's feedback to ensure smooth implementation of the above. The public consultation period is from 20 February 2018 to 20 March 2018. The IRAS will provide a summary of its response to these feedback by 31 May 2018.
- As the schemes are in their development stage, most industry experts say it's too early to properly assess the impact these schemes will have.

Got a question?

Business owners who are keen to get more information on the above can contact us. The devil is in the detail, hence one of the best ways to achieve tax efficiency is to start the tax planning process early. Email us at gc@gctaxservices.com

About Us

GC Tax Services Pte. Ltd. (UEN : 201500646E) is founded by Genevieve Chan, an Accredited Tax Advisor (Income Tax) of the Singapore Institute of Accredited Tax Professionals. With fifteen years of experience working in Big 4 firms and mid-size accounting companies, Genevieve provides business and tax solutions that are both practical and effective.